

Teacher Retirement System Summary of Recommendations - House

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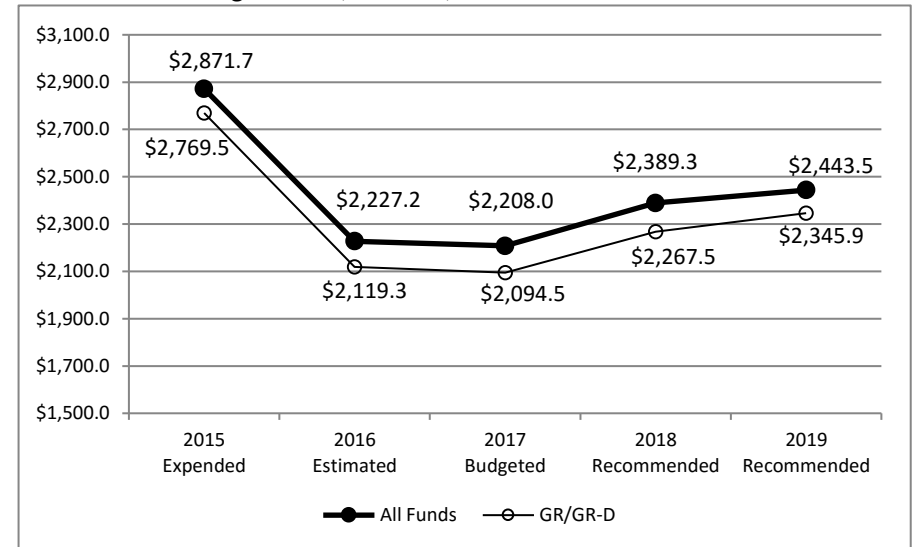
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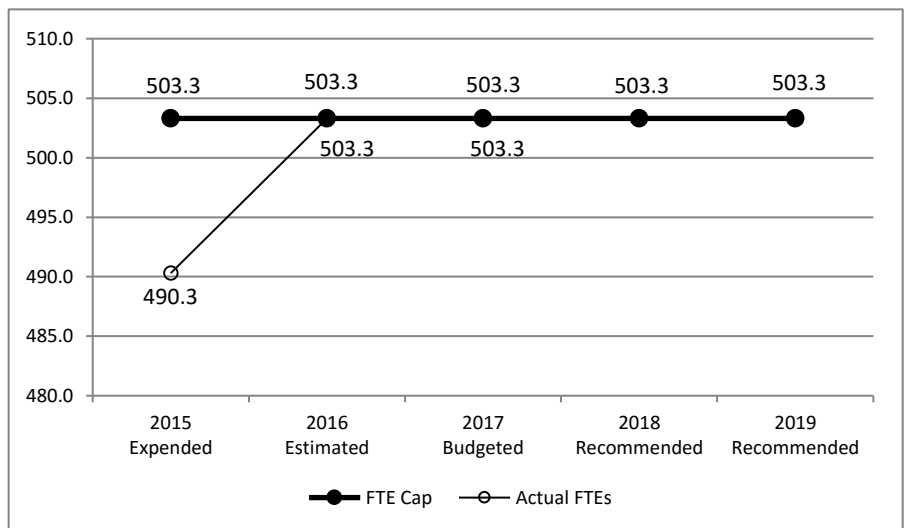
Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$4,127,445,321	\$4,515,961,727	\$388,516,406	9.4%
GR Dedicated Funds	\$86,376,320	\$97,451,314	\$11,074,994	12.8%
Total GR-Related Funds	\$4,213,821,641	\$4,613,413,041	\$399,591,400	9.5%
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$221,358,544	\$219,439,257	(\$1,919,287)	(0.9%)
All Funds	\$4,435,180,185	\$4,832,852,298	\$397,672,113	9.0%

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	503.3	503.3	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 2.8% of the agency's estimated total available funds for the 2018-19 biennium.

Teacher Retirement System
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Retirement (K-12): Increase funding for state retirement contributions for K-12 employees due to the growth of covered payroll in public education.	\$336.1	\$0.0	\$0.0	\$0.0	\$336.1	A.1.1.
B)	Retirement (Higher Education): Decrease General Revenue funding and increase General Revenue-Dedicated funding for retirement contributions to Higher Education in accordance with payroll growth trends of higher education employees covered by state funds.	(\$14.2)	\$11.1	\$0.0	\$0.0	(\$3.1)	A.1.2.
C)	TRS-Care: Increase funding for Retiree Health due to the growth of covered payroll in public education.	\$66.7	\$0.0	\$0.0	\$0.0	\$66.7	A.2.1.
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
D)	Decrease funding for Administrative Operations due to lower funding needs for the TRS Enterprise Application Modernization (TEAM) project in the amount of (\$10,379,906); increase by \$2,070,000 for additional capital projects; and increase by \$5,205,290 for other Administrative operations attributable to increased membership, the growing complexity of investment management, and the implementation of the final phase of the TRS Enterprise Application Modernization (TEAM) project.	\$0.0	\$0.0	\$0.0	(\$3.1)	(\$3.1)	A.1.3.
E)	Increase funding for TRS Employee Retirement due to the growth of covered payroll resulting mainly from the increased staff related to the TRS Enterprise Application Modernization (TEAM) project. TEAM staff are exempted from the agency's FTE cap by TRS Rider 8, Enterprise Application Modernization FTE Exemption.	\$0.0	\$0.0	\$0.0	\$1.2	\$1.2	A.1.2.
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$388.6	\$11.1	\$0.0	(\$1.9)	\$397.8	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$402.8	\$11.1	\$0.0	\$1.2	\$404.0	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$14.2)	\$11.1	\$0.0	(\$3.1)	(\$6.2)	As Listed

NOTE: Totals may not sum due to rounding.

Teacher Retirement System
Selected Fiscal and Policy Issues - House

1. **Retirement: State Contributions to the Retirement Trust Fund and Payroll Growth Assumptions.** Funding recommendations for retirement contributions for the 2018-19 appropriations bill as introduced total \$3.97 billion, an increase of \$375.5 million from the 2016-17 base. This increase is 84.7 percent of the agency’s All Funds biennial increase and is primarily due to payroll growth. Recommendations include funding sufficient to provide a 6.8 percent state contribution rate to the retirement trust fund for public education and higher education employees in each year of the 2018-19 biennium, which is the same rate as the 2016-17 biennium. For the purpose of estimating state contributions to the retirement trust fund, recommendations assume payroll growth of 3.5 percent for eligible public education employees and 2.9 percent (composite weighted average) for higher education employees covered by state funds in each year of the 2018-19 biennium.

Figure 1 2018-19 Contribution Rates to TRS Pension Trust Fund	
State	6.8%
Employee	7.7%
Districts not participating in Social Security	1.5%

NOTES: State and employee contribution rates for 2018-19 remain the same as the contribution rates in 2017.
Employer contributions for districts not participating in Social Security were set at 1.5% by Senate Bill 1458, 83rd Legislature.

The historical trend data for public education reflects average annual payroll growth of 4.09 percent over the last ten years, and 4.14 percent since post-Recession funding trends began in the 2012-13 school year (FY 2013), driven by population growth, rising student enrollment, and the increase of educational staff in school districts across the state. The assumed growth rate for the 2018-19 biennium tempers these growth rates to 3.5 percent on the expectation that the funding trend has stabilized.

In higher education, state contributions to TRS retirement consist of two components: General Revenue (GR), which is growing slowly; and General Revenue-Dedicated (GR-D), or statutory tuition, which is growing rapidly. For the purpose of estimating state contributions to the retirement trust fund, the two methods of finance are calculated separately based on the historic growth trends of retirement contributions covered by each method of finance. General Revenue contributions to higher education retirement have grown modestly at an annual rate of 0.9 percent since fiscal year 2013. The assumed growth rate for the 2018-19 biennium is 1.0 percent, based on the expectation that the recent growth trend will continue. GR-D contributions have grown by a compound annual rate of 7.5 percent between 2002 and 2016, and at a rate of 11.25 percent annually over the last five years. The GR-D growth assumption for the 2018-19 biennium is 10.0 percent each fiscal year, based on these trends. When the General Revenue and GR-D portions of TRS higher education retirement are added together and projected through the 2018-19 biennium, the composite weighted average growth rate is 2.9 percent.

Figure 2		
Payroll Growth Trends of TRS Pension Trust Fund Members		
	Public Education (GR)	Higher Education (GR & GR-D)
Assumptions in Each Year, 2017-19	3.5%	2.9%
Historical Trends		
Since Funding Recovery (FY 2013)	4.14%	3.03%
Ten-year Average	4.09%	-1.52%
Since 2002	4.78%	0.62%

NOTE: Higher Education growth rates are a composite of payroll growth covered by General Revenue (GR) and General Revenue Dedicated (GR-D).

Recommendations include the limitations required by Senate Bill 1812, Eighty-third Legislature, for contributions to Public Junior and Community Colleges. These include a cap on state appropriations of 50 percent of the employer contribution for eligible Instructional and Administrative employees. In addition, the number of employees eligible to receive state contributions may not be adjusted in a proportion greater than the change in student enrollment at each community college district. Districts that experience a decline in enrollment may petition the Legislative Budget Board to maintain eligible employees up to 98 percent of the employee level of the previous biennium.

2. **Actuarial Valuation.** The Eighty-third Legislature enacted changes in Senate Bill 1812 that improved the amortization period and thus the actuarial condition of the TRS Pension Trust Fund. These included an increase in the minimum retirement age from 60 to 62 for an unreduced annuity for members who were vested on or after September 1, 2014. Senate Bill 1812 also established stair-step increases for employee contributions, which increased from 6.4 percent in 2014, to 6.7 in fiscal year 2015, to 7.2 percent in 2016, and to 7.7 percent in 2017. In addition, the bill established a new 1.5 percent contribution for districts that do not participate in Social Security, and granted a three percent cost-of-living increase, capped at \$100 per month, for those retired by August 31, 2004.

Figure 3					
Actuarial Valuations of the TRS Pension Trust Fund					
	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Amortization Period	Investment Return (fiscal year)	Fund Net Position
As of August 31, 2014 (FY 2014)	80.2%	\$31.6 billion	29.8 years	16.8%	\$132.8 billion
As of August 31, 2015 (FY 2015)	80.2%	\$33.0 billion	33.3 years	-0.3	\$128.5 billion
As of August 31, 2016 (FY 2016)	79.7%	\$35.5 billion	33.6 years	7.3%	\$134.0 billion

NOTES: The increased amortization period at fiscal year-end 2016 is the result of deferred investment losses of \$4.8 billion, and stair-stepped member contribution rates that did not reach their final levels until fiscal year 2017. The funded ratio does not include net deferred losses.

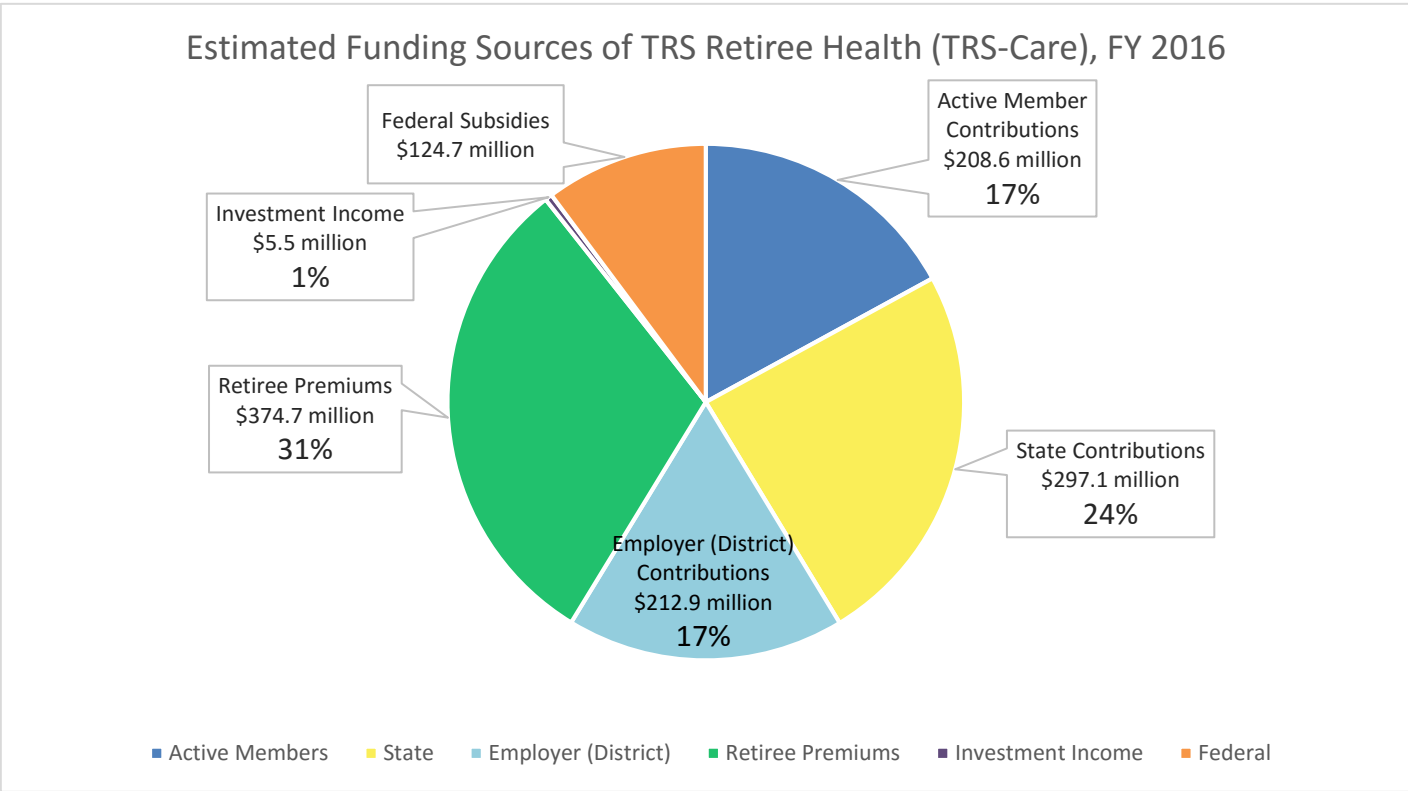
The actuarial valuation as of August 31, 2016 reveals that the funded ratio of the TRS Pension Trust Fund is 79.7 percent. The System's unfunded actuarial accrued liability (UAAL) increased from \$33.0 billion in 2015 to \$35.5 billion in 2016 and its funded ratio fell below 80 percent as a result of underperforming its targeted investment return of 8.0 percent in both years, adjusted demographic assumptions, and deferred investment losses currently at \$4.8 billion. Despite this, the payroll from which the TRS Pension Trust Fund receives contributions grew faster than expected, offsetting the impact of investment and liability experience. The result is that the amortization period as of August 31, 2016 increased only slightly to 33.6 years. Because of the deferred investment losses, the amortization period is expected to increase in the short term as deferred investment losses are recognized, and then to decrease in the future.

Investment performance of the TRS Pension Trust Fund in fiscal year 2016 was 7.3 percent. The TRS Pension Trust Fund has averaged annualized returns of 8.0 percent over five years and 6.0 percent over ten years. The long-term actuarial assumption of the TRS Pension Trust is 8.0 percent.

3. **TRS-Care: Funding and Contribution Rates.** House Bill 1 as Introduced provides TRS-Care with \$647.6 million in General Revenue Funds, an 11.5 percent increase above the 2016-17 base, attributable to an assumed public education payroll growth rate of 3.5 percent annually. This level of funding maintains the same contribution rates in 2018-19 as in the 2016-17 biennium, including funding sufficient to provide a state contribution rate of 1.0 percent of payroll for TRS-Care in compliance with statute. The active employee contribution rate is 0.65 percent, and the school district contribution rate is 0.55 percent. There are 261,528 participants in TRS-Care.

House Bill 1 as Introduced deletes Rider 15 of the 2016-17 General Appropriations Act, “Legislative Intent Relating to Retiree Health Insurance Premiums,” which had expressed the intent of the Legislature not to raise retiree premiums during the 2016-17 biennium. House Bill 1 as Introduced adds Rider 18, “TRS-Care Shortfall,” expressing the intent of the Legislature that resolving the long-term solvency cost of TRS-Care be a shared fiscal responsibility between the state, school districts, employees, and retirees.

Based on current contribution rates, the TRS-Care Trust Fund received funding in fiscal year 2016 as shown below.



4. **TRS-Care Shortfall: Projected Insolvency.** The TRS-Care Trust Fund is projected to become insolvent in fiscal year 2018, possibly as early as the last quarter of fiscal year 2017. At the time of the Legislative Appropriations Request (LAR) submission, the TRS-Care funding shortfall in the 2018-19 biennium was estimated at \$1.35 billion, the amount requested as TRS's first exceptional item. Based on this estimate, TRS requests \$500 million in fiscal year 2018 and \$850 million in fiscal year 2019 to ensure solvency of the TRS-Care Fund through the biennium. The most recent estimates as of January 2017, however, reduce the amount of the shortfall to \$335 million in fiscal year 2018 and \$753 million in fiscal year 2019, for a biennial shortfall of \$1.09 billion. This compares to a shortfall in the 2016-17 biennium of \$768 million, which the Eighty-fourth Legislature funded with a one-time supplemental appropriation in fiscal year 2015. The Joint Interim Committee on TRS Health Benefits examined options for TRS-Care solvency and released its report in December 2016. In addition, TRS staff presented options to the Joint Interim Committee during hearings held in March 2016. Estimates of the TRS-Care shortfall will be updated by TRS staff throughout the Eighty-fifth Legislative Session.

Recommendations do not include an increase in state contributions related to the TRS-Care shortfall in the appropriations bill as introduced. The resource material below is provided to the Legislature to help address this issue.

There are five funding levers that can be manipulated to increase revenue, decrease costs, and thereby affect the solvency of the TRS-Care Trust Fund.

Figure 4 TRS-Care Funding Levers		
	Contribution Rate	Limitations and Other Considerations
1. Increase State Contributions	1.0%	Increasing state contributions would require the Legislature to amend statute to increase the state contribution rate above 1.0 percent.
2. Increase Active Member Contributions	0.65%	Increasing active member contributions would require the Legislature to amend statute to increase the active member contribution rate above 0.65 percent. An additional consideration is that active members are enrolled in TRS-ActiveCare, the costs of which have increased significantly for employees since 2002.
3. Increase District Contributions	0.55%	Increasing district contributions would require the Legislature to set the district contribution rate higher in the General Appropriations Act. Statute currently sets the range of district contributions between 0.25 percent and 0.75 percent.
4. Increasing Retiree Premiums	-	The Legislature may consider including a new rider in the 2018-19 General Appropriations Act requiring TRS to take appropriate actions to ensure solvency of the fund, such as premium increases and further plan design changes, to offset at least 25% of the projected cost of maintaining the TRS-Care fund's solvency during the next biennium. The Texas Insurance Code, §1575.211 requires that Retired Members contribute no less than 30 percent to the fund.
5. Reduce Retiree Benefits	-	As with retiree premiums, the Legislature may consider including a rider in the 2018-19 General Appropriations Act requiring TRS to take appropriate actions to ensure solvency of the fund, such as premium increases and further plan design changes. TRS has already introduced several plan design changes, effective September 1, 2016, that are projected to save the fund approximately \$40 million. These changes include increased deductibles and out-of-pocket maximums, changes in prescription drug plans, and a switch to Humana for all Medicare Advantage plans through TRS-Care.

5. **TRS-Care Shortfall: Hypothetical Funding Scenario.** The TRS-Care shortfall is caused by a disjuncture between revenue and costs. Most of the sources that generate revenue for the TRS-Care fund are tied to public education payroll, which grows at a modest rate, while health care costs have risen much faster. The main drivers of health costs are growing medical and prescription drug claims; increasing utilization due to an aging population; an increase in the number of non-Medicare retirees; changes in federal and state legislation, including changes in Medicare coverage; advances in medical technology, testing, and equipment; the development of expensive specialty and biogenetic drugs; and the costs associated with maintaining access and choice in health providers. Revenue has been lower than expenditures since fiscal year 2012, resulting in a projected negative balance that began in fiscal year 2016. The Legislature solved a similar insolvency problem in 2003, when it spread the overall solvency cost by increasing contributions from the state, active members, school districts, and retirees. Combined, these new sources contributed an additional \$1.1 billion for the 2004-05 biennium, including an additional \$546.6 million from the state, and ensured solvency of the fund for a decade.

Figure 5 illustrates a funding scenario similar to 2004-05 that would spread the cost of solvency funding for the biennium, currently estimated at \$1.35 billion, proportionally between the state, retirees, active members, and school districts. The cost of the solvency funding would be allocated as 50 percent to the state, 25 percent to retiree premiums, and 12.5 percent to both active members and school districts. If the Legislature adopts this option, total contributions to TRS-Care in the 2018-19 biennium would equal approximately \$3.73 billion, but the cost-sharing proportions of 50-25-12.5-12.5 proposed in this scenario would apply only to the solvency cost of \$1.35 billion. This solvency funding option would involve the state contribution rate increasing from 1.0 percent to 2.04 percent and generating an additional \$673.5 million during the biennium above the amount at current contribution rates. The active member contribution would increase from 0.65 percent to 0.96 percent and generate an additional \$167 million. The district contribution would increase from 0.55 percent to 0.98 percent and generate an additional \$170.5 million. Finally, the retiree contribution, which could result from either premium increases or benefit reductions, would generate an additional \$337.5 million during the biennium above the amount at current contribution rates. Together, these increases would be sufficient to cover the \$1.35 billion biennial shortfall of the TRS-Care fund.

Figure 5 Hypothetical Scenario: Proportional Cost Sharing of the \$1.35 billion 2018-19 TRS-Care Shortfall (in millions)						
Contribution Source	Share of Solvency Cost (est.)	Solvency Funding Cost in 2018-19	New Contribution Rate	Current Shares of Total Funding	New Shares of Total Funding	Percentage Increase from Current Projected Cost
State	50.0%	\$673.5	2.04%	24.3%	35.4%	104.0%
Retirees	25.0%	\$337.5	N/A	30.6%	30.9%	41.3%
Active Members	12.5%	\$167.0	0.96%	17.1%	16.7%	36.7%
School Districts	12.5%	\$170.5	0.98%	17.4%	17.0%	36.7%
Other Sources	N/A	N/A	N/A	10.6%	6.7%	N/A

NOTES:

(1) Retiree funding includes premiums only and omits out of pocket costs such as deductibles and coinsurance.

(2) Current shares of total funding reflect fiscal year 2016 amounts for each source.

(3) Other sources of revenue, primarily federal drug reimbursements, would not change as a result of new funding.

6. **TRS Enterprise Application Modernization (TEAM).** Recommendations include \$25.1 million in Other Funds (Pension Trust Fund) for completion of the TEAM technology initiative in 2018-19. The project replaces legacy systems for benefits administration and accounting, including the pension system, member records, data management, and website redesign. The total project cost is currently estimated at \$114.9 million, with an estimated completion date at the end of fiscal year 2019. Initially, the project was estimated to cost a total of \$94.6 million, with completion scheduled for fiscal year 2017. Once the project commenced, cost projections increased and estimated completion dates were extended, in part to reflect

updated information on additional enhancements to the legacy system that were not included in the original estimates. The Eighty-second Legislature appropriated \$25 million from the Pension Trust Fund for the 2012-13 biennium to begin the project. The Eighty-third Legislature appropriated \$34.6 million, which included \$9.6 million in estimated lapsed funds from the previous biennium. The Eighty-fourth Legislature appropriated \$40.3 million. The total cost to date, as of January 2017, is 82.0 million. The completion timeline has been extended from an original estimate of 66 months to the current estimate of 95 months. Rider 16 of the agency’s bill pattern exempts the FTEs assigned to the TEAM initiative from the agency FTE cap during implementation of TEAM.

- 7. **Administrative Operations.** Recommendations include funding for Administrative Operations associated with pension-related expenses in the amount of \$211.4 million for the biennium in Other Funds (Pension Trust Fund), which is \$3.1 million lower than the 2016-17 base. Recommendations for administrative operations are driven substantially by the TRS Enterprise Application Modernization (TEAM) project, for which the agency requests an additional \$25.1 million in 2018-19, combined with the growth in pension membership and the increased complexity of investment management. Funding for administrative operations associated with other agency functions, such as TRS-Care and TRS-ActiveCare, are not appropriated and are funded from the associated trust funds.

Funding for Administrative Operations in the appropriations bill as introduced excludes \$3.9 million for an additional 25.0 FTEs included in the agency’s baseline request. The request intends to support the permanent transition related to the TEAM project, including ten for Benefits Administration, seven to support permanent IT positions related to the TEAM project, two investment staff, and six support staff in audit, legal, and communications divisions. Although the agency has broad statutory discretion in the purchasing of goods and services with the Pension Trust Fund, recommendations exclude the additional 25 FTEs so that the Legislature may consider the agency’s request and whether to increase its FTE cap. The relevant statute on TRS fiduciary authority is in Government Code, §825.101 and §825.104(d).

- 8. **TRS-ActiveCare Affordability.** Since it is not an appropriation for TRS, the appropriations bill as introduced includes no recommendations related to TRS-ActiveCare. Rather, this section highlights the affordability of the plan and the tendency for health care cost increases to be passed primarily to active members. The ActiveCare plan was created in 2002 as a health care benefits program for certain public school district employees, including active teachers in participating districts, as enacted by the Seventy-seventh Legislature in 2001. Smaller districts with fewer than 500 employees (as of 2001) were required to participate. Medium sized (500-1,000 employees) and larger districts (over 1,000 employees) had a choice to opt in, and many have joined the plan. In order to guard against adverse selection, state law does not allow districts to exit ActiveCare once they have joined. There are approximately 484,316 participants in TRS-ActiveCare, including 56,300 enrolled in Health Management Organization (HMO) plans, as of fiscal year 2016. Of this number, 61.2 percent are employees and the remainder are dependents.

Figure 6 School Districts and Other Employers in TRS-ActiveCare			
Employer: Number of Employees	Employers Eligible	Employers Participating	Percentage Participating
Less than 500	816	801	98.2%
500 – 1,000	102	90	88.2%
More than 1,000	106	56	52.8%
Charter Schools	173	130	75.1%
Regional Service Centers	20	20	100%
Other	5	5	100%

State law requires a minimum contribution by the state of \$75 per member per month, which is distributed as part of the Foundation School Program. The employing district must contribute a minimum of \$150 per member per month toward the premiums of participating members. According to TRS, premium cost increases over time have been significant and largely borne by the participants, while the minimum state and district contributions have not increased since the program's inception, although about two-thirds of districts contribute more than the minimum. Since employer contributions have remained relatively flat, TRS reports that the employee share of premium costs has increased by over 200 percent in the 14 years since the inception of the plan, even while associated benefit plans have been reduced. In fiscal year 2015, the state contributed \$237.1 million, or 13.4 percent of ActiveCare funding; school districts contributed \$474.2 million, or 26.8 percent of funding; and active employees contributed \$1.05 billion, or 59.7 percent of funding, a proportion that is expected to grow. The Joint Interim Committee on TRS Health Benefits examined options to improve TRS-ActiveCare affordability during the interim, and released its report in December 2016.

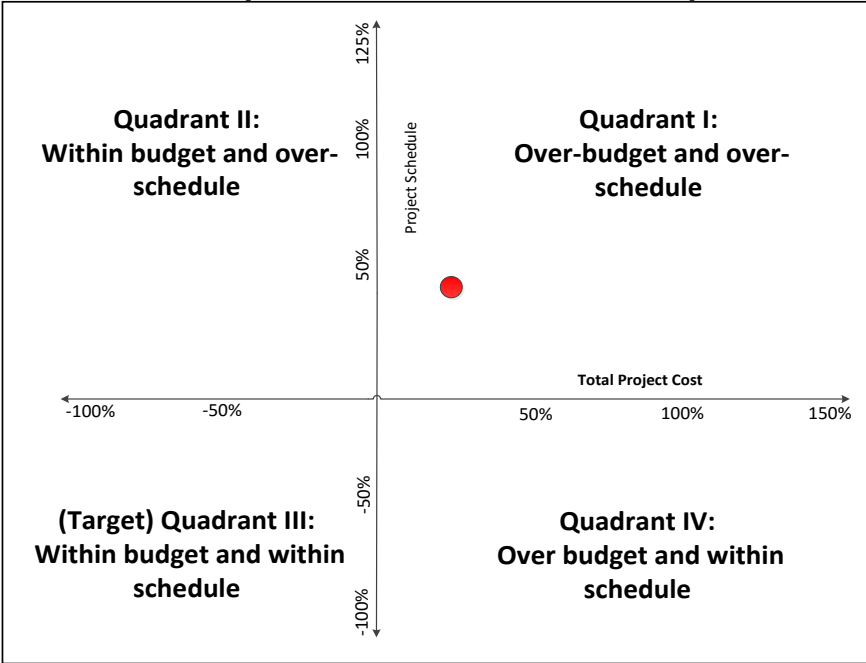
Teacher Retirement System
Quality Assurance Team Highlights

Summary of Total Costs (in millions) and Time Frames reported to the Quality Assurance Team*

		Original Projected Costs	Current Projected Costs	Difference in Costs	Expenditures to Date	Original Timeline in Months	Current Timeline in Months	Difference in Time	% Complete	
Project Name										
1	TRS Enterprise Application Modernization (TEAM)	\$96.1	\$114.9	\$18.8	\$82.0	66	95	29	66%	●
Project Totals (1)		\$96.1	\$114.9	\$18.8	\$82.0					

*Note: The project is 20% over-budget and 43% over-schedule due to updated benefit calculations and the addition of a contingency. The finish date has been extended due to additions to the original program scope.

Major Information Resources Projects



- Legend
- Project which is within budget and within schedule
 - Project which exceeds budget OR schedule
 - Project which is over budget and behind schedule

*Note: These figures reflect all project costs (Capital and Informational) and timelines from self-reported monitoring reports that are sent to the Quality Assurance Team (QAT) for review. QAT includes representatives from the Legislative Budget Board, the State Auditor’s Office, and the Department of Information Resources.

Significant Project Highlights

1 TRS Enterprise Application Modernization (TEAM)

This project was appropriated \$25.0 million (Trust Funds - 960) for project development and authorized to begin in FY 2012 for a duration of 66 months with initial estimated project costs of \$94.6 million.

The overall goal of the Teacher Retirement System (TRS) Enterprise Application Modernization (TEAM) Program is to implement a cost effective, efficient, and sustainable program to enable TRS to serve the expanding needs of its members, employers, and annuitants.

When the project was initiated, milestones quickly began to slip because the agency did not provide enough time in the initial Request For Offer (RFO) for the Line of Business (LOB) Solution. In August 2012, the agency submitted their Project Plan to the QAT which identified an increase of costs of more than 10%. This increase required the agency to re-submit their project tool set to the QAT. In September 2012 QAT reviewed their new baseline documents and noted several reasons for the cost increase:

- The estimated cost of TRS staff increased by \$8.0 million. The original cost estimate did not include embedding existing IT staff with the contracted vendors during system implementation.
- The Data Management component of the program increased by approximately \$2.0 million to reflect the actual cost of the contract TRS signed with Allied Consulting who was responsible for all assessment deliverables.
- The estimate for the Financial System Replacement increased by \$2.5 million to reflect the cost estimates TRS received from prospective vendors.
- The estimated cost for the Pension LOB Solution increased by \$10.25 million due to the inclusion of service-oriented architecture and the fact that contract estimates had been too low.

The project after the re-baseline was estimated to be completed in August 2018 with project costs estimated to be \$114.9 million. These estimates are still in place and the agency appears to be making progress in the development of this enterprise system.

In November 2016, the finish date for the project was further extended to August 31, 2019. The agency identified additional critical functionality that is needed before phase 1 can be completed. Some of this functionality is a result of missed requirements while others are a result of additional reporting requirements and rule changes that have arisen over the past two years.

QAT Budget Highlights (in millions)

Project Name	2016-17 Base	2018-19 Requested	2018-19 Recommended
TEAM	\$40.3	\$25.2	\$25.2
Total	\$40.3	\$25.2	\$25.2

* Note: Recommended amounts for 2018-19 include baseline funding only. TRS does not have exceptional item requests related to this project. Funds requested - TRS Pension Trust Fund 960.

**Teacher Retirement System
Rider Highlights - House**

New Riders

1. House Bill 1 as Introduced adds Rider 18, “TRS-Care Shortfall,” expressing the intent of the Legislature that resolving the long-term solvency of TRS-Care be a shared fiscal responsibility between the state, school districts, employees, and retirees.

Deleted Riders

1. House Bill 1 as Introduced deletes Rider 15, “Legislative Intent Relating to Retiree Health Insurance Premiums.” The rider expressed the intent of the Legislature not to raise retiree premiums during the 2016-17 biennium. Inclusion of this rider would preclude options available to the Legislature for ensuring the continued solvency of the TRS-Care Fund.

Teacher Retirement System
Items Not Included in Recommendations - House

Section 5

		2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
		GR & GR-D	All Funds	FTEs			
Agency Exceptional Items - In Agency Priority Order							
1)	Retiree Health Funding for Solvency - The agency requests \$1.35 billion of General Revenue Funds to maintain solvency of the TRS-Care Trust Fund through the 2018-19 biennium. The request is based on agency estimates of the 2018-19 shortfall at the time of the LAR submission and will be updated throughout Legislative Session.	\$1,350,000,000	\$1,350,000,000	0.0	No	No	\$0
3)	The agency requests an additional 25.0 FTEs at a cost of \$3.9 million (Pension Trust Fund, Other Funds) for Administrative Operations related to the TEAM project transition and other administrative needs. The requested FTEs include seven in Information Technology, ten in benefits administration, two in the Investment Management Division, two in Human Relations, and four in other administrative divisions.	\$0	\$3,901,400	25.0	Yes	No	\$3,901,400
TOTAL Agency Exceptional Items Not Included in Recommendations		\$1,350,000,000	\$1,353,901,400	25.0			\$3,901,400

**Teacher Retirement System
Appendices - House**

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* Appendix is not included - no significant information to report

Teacher Retirement System
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
TRS - PUBLIC EDUCATION RETIREMENT A.1.1	\$3,208,124,758	\$3,544,224,289	\$336,099,531	10.5%	
TRS - HIGHER EDUCATION RETIREMENT A.1.2	\$431,629,285	\$429,650,690	(\$1,978,595)	(0.5%)	
ADMINISTRATIVE OPERATIONS A.1.3	\$214,484,299	\$211,379,683	(\$3,104,616)	(1.4%)	
RETIREE HEALTH - STATUTORY FUNDS A.2.1	\$580,941,843	\$647,597,636	\$66,655,793	11.5%	
Total, Goal A, TEACHER RETIREMENT SYSTEM	\$4,435,180,185	\$4,832,852,298	\$397,672,113	9.0%	
Grand Total, All Strategies	\$4,435,180,185	\$4,832,852,298	\$397,672,113	9.0%	

Teacher Retirement System
Funding Changes and Recommendations - House, by Strategy -- Supplemental

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
TRS - PUBLIC EDUCATION RETIREMENT A.1.1	\$3,208,124,758	\$3,544,224,289	\$336,099,531	10.5%	Recommendations for Public Education retirement include a state contribution rate of 6.8 percent of active member payroll.
GENERAL REVENUE FUNDS	\$3,208,124,758	\$3,544,224,289	\$336,099,531	10.5%	Estimated appropriations of General Revenue Funds reflect a payroll growth assumption of 5.2 percent in fiscal year 2016 (actual) and 3.5 percent in 2017, 2018, and 2019. The base incorporates 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
TRS - HIGHER EDUCATION RETIREMENT A.1.2	\$431,629,285	\$429,650,690	(\$1,978,595)	(0.5%)	Recommendations for Higher Education Retirement include a state contribution rate of 6.8 percent of active member payroll and growth assumptions as described below.
GENERAL REVENUE FUNDS	\$338,378,720	\$324,139,802	(\$14,238,918)	(4.2%)	Estimated appropriations of General Revenue Funds reflect a payroll growth assumption of 1.0 percent in fiscal years 2017, 2018, and 2019, based on trending data. The base incorporates 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
GR DEDICATED	\$86,376,320	\$97,451,314	\$11,074,994	12.8%	Estimated appropriations of General Revenue-Dedicated Funds reflect a payroll growth assumption of 10.0 percent in 2017, 2018, and 2019, based on trending data. The base incorporates 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	

Teacher Retirement System
Funding Changes and Recommendations - House, by Strategy -- Supplemental

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
OTHER FUNDS	\$6,874,245	\$8,059,574	\$1,185,329	17.2%	Recommendations reflect employer retirement contributions for TRS employees, appropriated from the Pension Trust Fund (Other Funds). The increase in 2018-19 is due primarily to the growth of TRS payroll associated with the implementation of the TRS Enterprise Application Modernization (TEAM) project, which is scheduled to be completed during the 2018-19 biennium. TEAM staff are exempted from the agency's FTE cap by TRS Rider 8, Enterprise Application Modernization FTE Exemption.
ADMINISTRATIVE OPERATIONS A.1.3	\$214,484,299	\$211,379,683	(\$3,104,616)	(1.4%)	TRS Administrative Operations are funded by the Pension Trust Fund. The net decrease in 2018-19 reflects a reduction of \$10,379,906 related to decreased needs for TEAM, offset by an increase of \$2,070,000 for capital projects, and \$5,205,290 for increased administrative needs attributable to increased membership, the growing complexity of investment management, and the implementation of the final phase of TEAM.
GENERAL REVENUE FUNDS	\$0	\$0	\$0	0.0%	
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$214,484,299	\$211,379,683	(\$3,104,616)	(1.4%)	
RETIREE HEALTH - STATUTORY FUNDS A.2.1	\$580,941,843	\$647,597,636	\$66,655,793	11.5%	Recommendations for Retiree Health (TRS-Care) include a state contribution rate of 1.0 percent of active member payroll.
GENERAL REVENUE FUNDS	\$580,941,843	\$647,597,636	\$66,655,793	11.5%	Estimated appropriations of General Revenue Funds reflect a payroll growth assumption of 5.2 percent in fiscal year 2016 (actual) and 3.5 percent in 2017, 2018, and 2019, based on trending data. The base incorporates 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.

Teacher Retirement System
Funding Changes and Recommendations - House, by Strategy -- Supplemental

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
GR DEDICATED	\$0	\$0	\$0	0.0%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
Total, Goal A, TEACHER RETIREMENT SYSTEM	\$4,435,180,185	\$4,832,852,298	\$397,672,113	9.0%	See explanations above.
GENERAL REVENUE FUNDS	\$4,127,445,321	\$4,515,961,727	\$388,516,406	9.4%	
GR DEDICATED	\$86,376,320	\$97,451,314	\$11,074,994	12.8%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$221,358,544	\$219,439,257	(\$1,919,287)	(0.9%)	
Grand Total, All Agency	\$4,435,180,185	\$4,832,852,298	\$397,672,113	9.0%	See explanations above.
GENERAL REVENUE FUNDS	\$4,127,445,321	\$4,515,961,727	\$388,516,406	9.4%	
GR DEDICATED	\$86,376,320	\$97,451,314	\$11,074,994	12.8%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$221,358,544	\$219,439,257	(\$1,919,287)	(0.9%)	

**Teacher Retirement System
FTE Highlights - House**

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	503.3	503.3	503.3	503.3	503.3
Actual/Budgeted	490.3	503.3	503.3	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director	\$290,000	\$327,443	\$327,443	\$327,443	\$327,443
Chief Investment Officer	\$294,000	\$525,000	\$551,250	\$551,250	\$551,250
Deputy Director Investment Officer	\$340,000	\$340,000	\$340,000	\$340,000	\$340,000
Investment Fund Director	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000
Investment Fund Director	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000
Investment Fund Director	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Investment Fund Director	\$330,000	\$330,000	\$330,000	\$330,000	\$330,000
Investment Fund Director	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000

Notes:

- a) The salaries for both the Executive Director and the Chief Investment Officer reflect TRS board action taken pursuant to Rider 8 of the TRS bill pattern, which authorizes the Board to set the salaries of exempt positions without limitation.
- b) Rider 16 in the 2016-17 General Appropriations Act, "Enterprise Application Modernization FTE Exemption," allows FTEs assigned to the TEAM project to be exempt for reporting purposes from the FTE cap established in Article IX, §6.10.
- c) The 2015 actual FTE count was below the cap due to vacancies and agency-wide attrition.

Teacher Retirement System
Performance Measure Highlights - House

	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
<ul style="list-style-type: none"> TRS Retirement Fund Benefit Administration Annual Operating Expense Per Total Member and Annuitant in Dollars (Excluding Investment Dollars) 	\$ 24.37	\$ 24.84	\$ 29.00	\$ 29.00	\$ 29.00
<p><i>Measure Explanation: This measure reflects the annual cost per member and annuitant to operate the retirement fund benefit administration. The recommended increases from fiscal years 2015 to 2019 reflect the additional administrative costs related to the TRS Enterprise Application Modernization (TEAM) project, as well as other administrative and capital costs amortized over time. CEM Benchmarking, a firm that conducts data-based analysis and comparisons of pension funds, found that the average of total pension cost per active member and annuitant for TRS peers (i.e., large state pension funds in the United States) was \$92, while the peer median was \$78, making TRS administration cost among the lowest in the CEM database.</i></p>					
<ul style="list-style-type: none"> TRS Retirement Fund Investment Expense as Basis Points of Net Assets 	\$ 19.75	\$ 22.57	\$ 23.00	\$ 24.00	\$ 25.00
<p><i>Measure Explanation: This measure provides a method to compare investment operating efficiencies from year-to-year and comparison to other retirement funds. The increased investment expense relative to net assets from fiscal year 2015 through fiscal year 2019 is primarily the result of weak investment returns of -0.3% in 2015, which reduced the net value of the fund, or the denominator of this measure's calculation, going forward.</i></p>					

Teacher Retirement System of Texas



**House Appropriations Committee
February 2017**



TRS

- Created in 1936 by Constitutional amendment (enabling legislation in 1937) and established by Article XVI, Section 67, Texas Constitution.
- Mission:
 - to deliver retirement and related benefits authorized by law for members and their beneficiaries; and
 - to prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles.
- To comply with fiduciary standards:
Monies held in trust must be used exclusively for the benefit of TRS members. The Board of Trustees act as Fiduciaries.
- The Board of Trustees is responsible for the administration of the system under provisions of the state constitution and laws. The board is composed of nine trustees appointed to staggered terms of six years.



What We Do

- The Teacher Retirement System manages a \$134 billion trust fund and provides pension and health care benefits. TRS serves 1.5 million active and retired members. One out of every 20 Texans is a member of TRS.
- The average retirement check is \$2,035 per month with \$9.3 billion paid in retirement benefits in FY 2016.
- The pension trust fund earned a return of 7.4% in FY 2016. The assumed rate of return is 8%.
- TRS manages two major health programs:
 - TRS-Care: 261,528 participants
 - TRS-Active Care: 484,316 participants



Pension Fund Contributions

Contribution Rates

- The State of Texas contributes 6.8% of salary (determined by appropriations; Constitution sets limits between 6% and 10%)
- Members contribute 7.7% of salary
 - Increased from 6.4% to 6.7%, 7.2%, 7.7% each fiscal year since FY 2014
- Non-Social Security districts contribute 1.5% of salary
 - 95% of public school districts do not participate in Social Security and do not contribute 6.2% of payroll to Social Security.

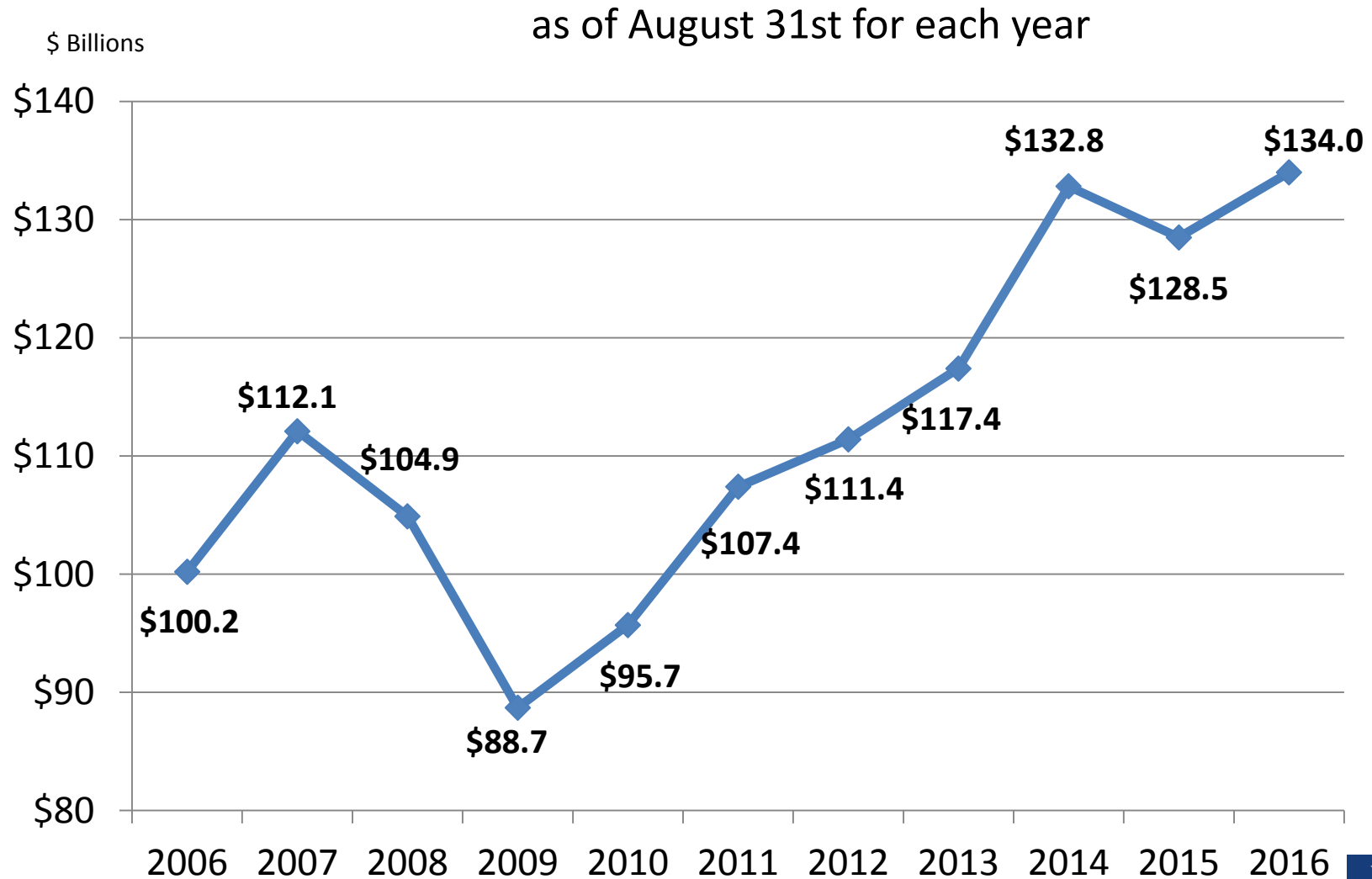


Trust Fund Status

TRS Trust Fund Valuation	8/31/2016	8/31/2015	8/31/2014
Unfunded Actuarial Accrued Liability (UAAL)	\$35.5 billion	\$32.9 billion	\$31.6 billion
Funded Ratio	79.7%	80.2%	80.2%
State Contribution Rate	6.8%	6.8%	6.8%
Member Contribution Rate	7.2%	6.7%	6.4%
Funding period (years)	33.6 years	33.3 years	29.8 years
Are contributions sufficient to fund future liabilities?	Yes	Yes	No
Annual Required Contribution (ARC)	7.94%	7.92%	8.25%

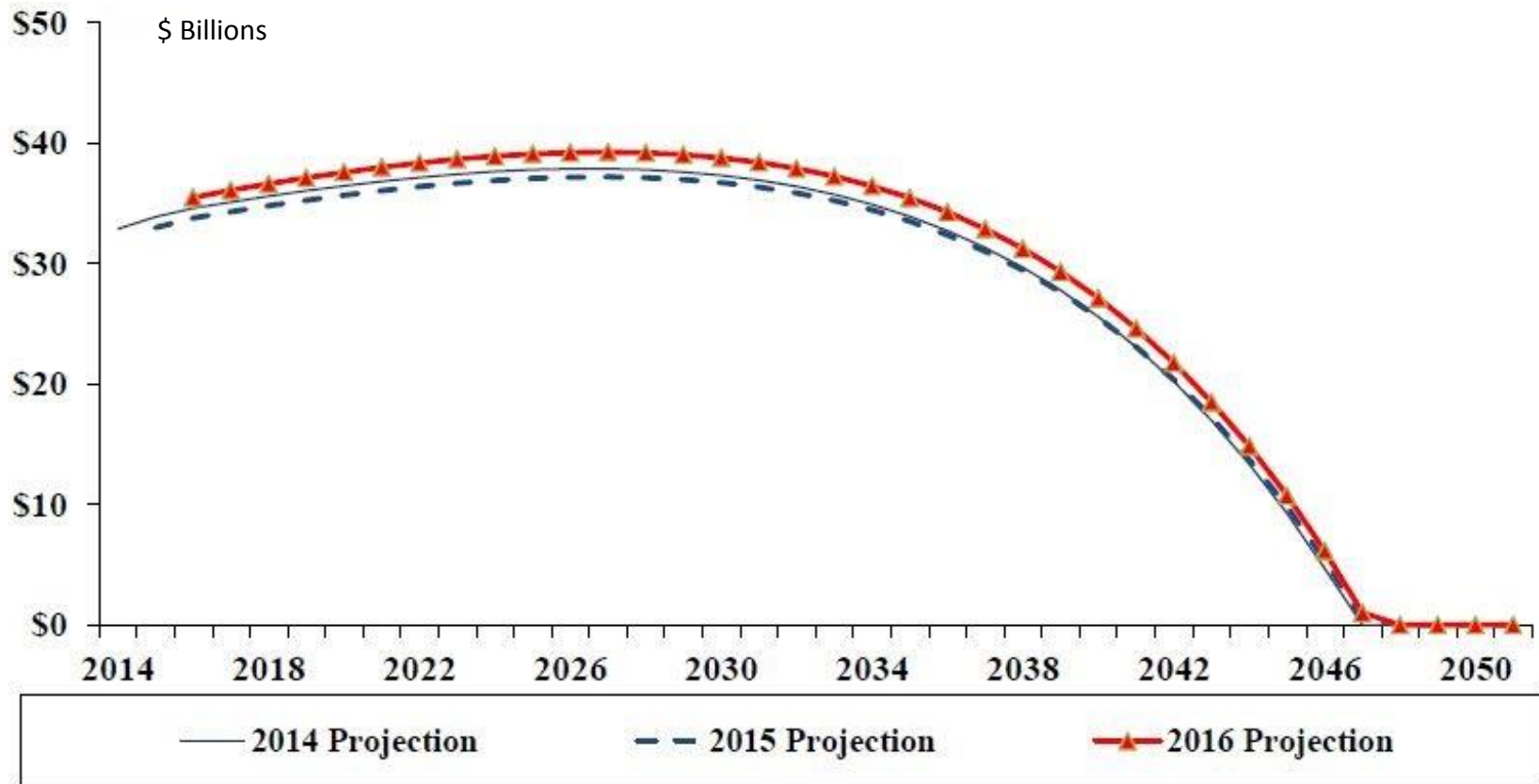


Pension Fund Balance





Projection of UAAL (Based on Smoothed Assets)



The above assumes all assumptions exactly met, including 8% annual investment returns

Assumes no changes to benefit policy

Assumes current statutory contribution policy remains throughout period

*Slide provided by Gabriel, Roeder, Smith & Co.



TRS Funding 2018-2019

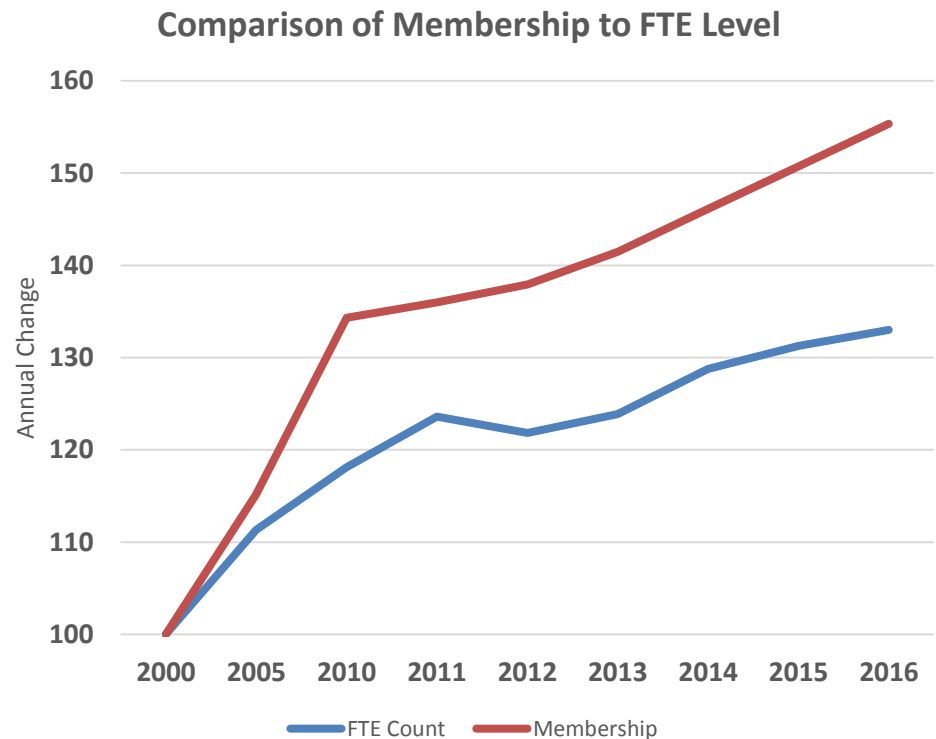
INTRODUCED SENATE BILL

- Pension State Contribution
 - Continues 6.8% statutory state contribution rate
 - Public Education: \$3.5 billion
 - Based on 3.5% salary growth
 - Higher Education: \$429.6 million
 - Based on 2.9% salary growth
- TRS-Care Contribution
 - Continues 1% statutory state contribution rate
 - Estimated to be \$647.6 million using 3.5% salary growth
- Administrative operations funded with pension assets, no GR; priorities include TEAM, CAPPs implementation, and building renovations



Exceptional Items

- Solvency funding for TRS-Care estimated to be \$1.3 billion through FY 2019 based on 7% annual growth in healthcare claims and projected 12% growth in prescription drug costs.
- Funding for 25 additional FTEs based on workload demand:
 - 10 benefits counselors to reduce call wait times and provide more counseling appointments
 - 7 IT developers to support applications created during TEAM program
 - 2 investment staff for investment operations
 - 6 support staff in audit, legal and communications





TRS-Care

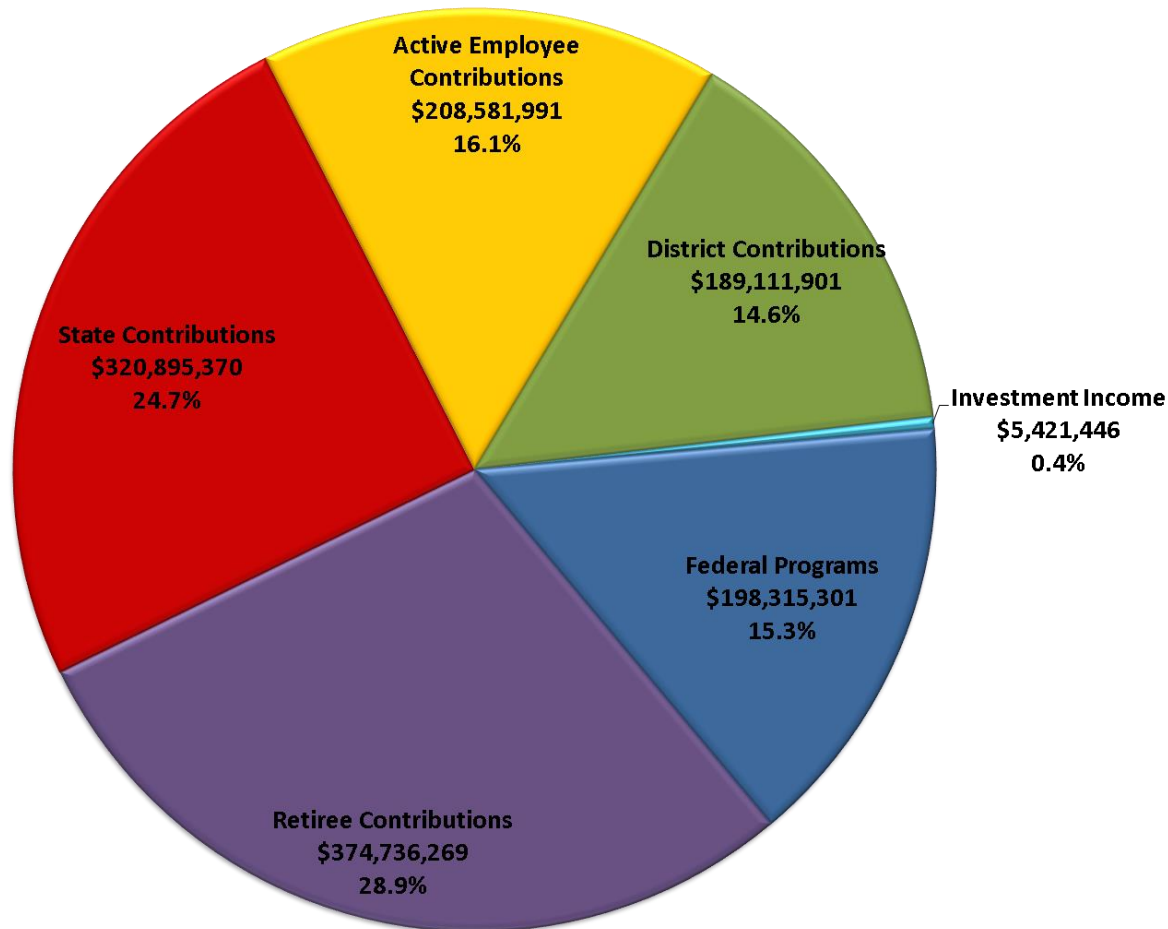


History of TRS-Care

- Created in 1985 with coverage beginning September 1, 1986
- Historically operates through a separate trust fund
- Provides health coverage for retired Texas public school employees
- Higher education retirees are generally covered by ERS, UT or A&M
- Benefits are provided through medical and pharmacy networks
 - Medical benefits administered by Aetna
 - Self-funded PPO plan design options
 - Fully insured Medicare Advantage plan options
 - Pharmacy benefits administered by Express Scripts Self-funded prescription drug benefits for non-Medicare participants
 - Self-funded Medicare Part D drug benefits for Medicare participants



TRS-Care FY2016 Distribution of Revenues



State Contributions:
1.0% of active employee payroll by law.

Active Employees:
0.65% of active employee payroll.

District Contributions:
0.55% of active employee payroll.

Other Contributions:
Includes Retiree Drug Subsidy, Medicare Part D subsidies and Investment Income.

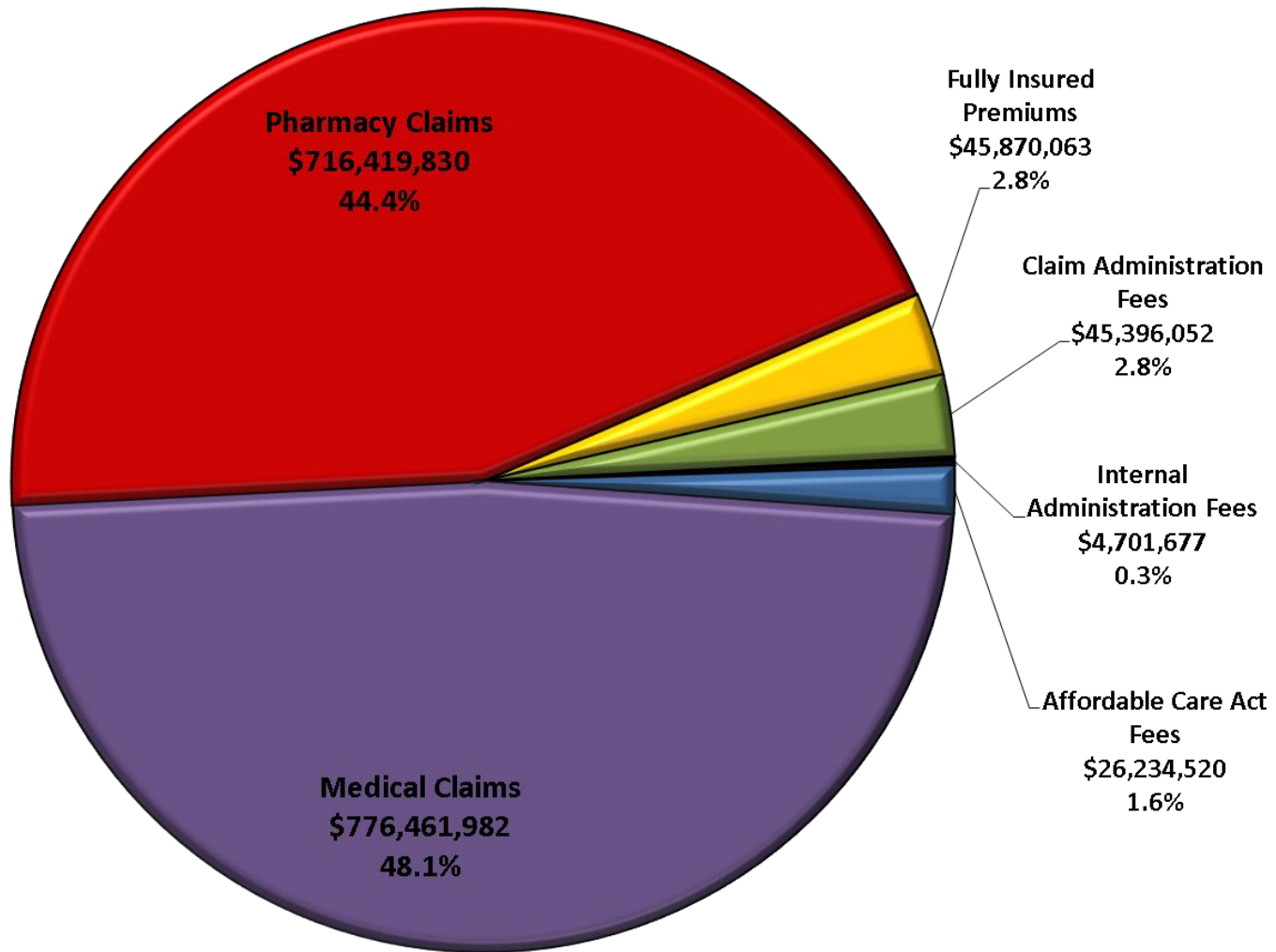
Retiree Contributions:
Retirees pay premiums for any plan option other than TRS Care-1.

Notes:

- (1) Retiree premium contributions and cost sharing accounted for 36.6% of total health care expenses in FY2016, including \$267.5M in deductibles, copayments and coinsurance.
- (2) Funding is based on active employee payroll rather than actual health care costs.
- (3) For the FY2016-17 biennium, the State contributed an additional \$768 million.



TRS-Care FY2016 Expenses





TRS-Care Funding

Financial History & Projection Through FY2021 with Data Through August 2016

Fiscal Year	Contributions								Expenditures				Ending Balance (Incurred Basis)
	Retiree Contributions	State Contributions	Supplemental Appropriations	Active Employee Contributions	District Contributions	Investment Income	CMS & Part D Subsidies	ERRP Subsidy	Medical Incurred	Drug Incurred	Medicare Advantage Premiums	Administrative Costs	
FY 1986	\$0	\$0	\$250,000	\$17,625,194	\$0	\$572,153	\$0	\$0	\$0	\$0	\$0	\$362,371	\$18,084,976
FY 1987	\$22,617,624	\$25,931,680	\$0	\$18,522,629	\$0	\$2,568,998	\$0	\$0	\$50,988,845	\$7,044,825	\$0	\$3,941,936	\$25,750,301
FY 1988	\$23,948,600	\$31,357,632	\$0	\$19,598,520	\$0	\$5,703,832	\$0	\$0	\$16,157,649	\$12,441,672	\$0	\$4,614,755	\$73,144,809
FY 1989	\$25,428,632	\$37,420,711	\$0	\$20,789,215	\$0	\$8,802,914	\$0	\$0	\$32,926,324	\$15,458,710	\$0	\$5,212,073	\$111,989,174
FY 1990	\$37,556,561	\$44,369,915	\$0	\$22,184,958	\$0	\$13,098,835	\$0	\$0	\$50,171,919	\$19,835,965	\$0	\$7,186,851	\$152,004,708
FY 1991	\$46,563,787	\$47,277,743	\$0	\$23,638,871	\$0	\$15,801,047	\$0	\$0	\$82,697,189	\$28,683,081	\$0	\$8,258,029	\$165,647,857
FY 1992	\$56,395,797	\$50,392,512	\$0	\$25,196,592	\$0	\$17,314,372	\$0	\$0	\$74,307,953	\$33,829,694	\$0	\$8,862,560	\$197,946,923
FY 1993	\$65,154,653	\$54,029,406	\$0	\$27,014,703	\$0	\$17,181,190	\$0	\$0	\$101,627,864	\$40,700,513	\$0	\$10,067,359	\$208,931,140
FY 1994	\$80,128,944	\$56,912,083	\$0	\$28,456,041	\$0	\$16,467,438	\$0	\$0	\$108,284,693	\$45,712,060	\$0	\$11,668,828	\$225,230,065
FY 1995	\$89,006,331	\$59,849,850	\$0	\$29,924,925	\$0	\$16,841,673	\$0	\$0	\$122,054,551	\$50,782,093	\$0	\$12,219,847	\$235,796,353
FY 1996	\$82,622,236	\$63,634,087	\$0	\$31,817,043	\$0	\$16,818,747	\$0	\$0	\$135,982,304	\$57,074,921	\$0	\$13,593,578	\$224,037,663
FY 1997	\$87,657,784	\$67,616,395	\$0	\$33,808,197	\$0	\$16,202,440	\$0	\$0	\$148,823,489	\$62,530,982	\$0	\$14,097,454	\$203,870,554
FY 1998	\$91,390,173	\$72,210,190	\$0	\$36,105,095	\$0	\$15,260,517	\$0	\$0	\$156,537,913	\$76,256,158	\$0	\$14,616,678	\$171,425,780
FY 1999	\$96,474,107	\$76,488,424	\$0	\$38,244,213	\$0	\$9,762,741	\$0	\$0	\$184,398,533	\$93,459,890	\$0	\$14,905,196	\$99,631,646
FY 2000	\$120,227,960	\$85,505,637	\$0	\$42,738,069	\$0	\$6,923,485	\$0	\$0	\$203,029,971	\$110,903,247	\$0	\$16,837,127	\$24,256,451
FY 2001	\$131,213,445	\$90,118,787	\$76,281,781	\$45,059,394	\$0	\$5,824,134	\$0	\$0	\$250,691,898	\$139,774,848	\$0	\$18,237,767	(\$35,950,521)
FY 2002	\$143,797,748	\$94,792,026	\$285,515,036	\$47,378,092	\$0	\$7,140,560	\$0	\$0	\$287,729,918	\$163,979,754	\$0	\$19,017,292	\$71,945,978
FY 2003	\$162,954,010	\$98,340,798	\$124,661,063	\$49,170,399	\$0	\$3,394,956	\$0	\$0	\$368,462,963	\$203,281,400	\$0	\$21,690,329	(\$82,967,487)
FY 2004	\$248,552,679	\$198,594,194	\$298,197,463	\$99,297,097	\$79,457,387	\$4,840,982	\$0	\$0	\$366,840,457	\$214,514,500	\$0	\$26,332,200	\$238,285,158
FY 2005	\$322,780,191	\$202,397,566	\$64,172,167	\$101,198,783	\$80,914,228	\$11,300,868	\$0	\$0	\$431,036,095	\$229,522,988	\$0	\$33,333,010	\$327,156,868
FY 2006	\$326,844,982	\$215,666,940	\$0	\$140,183,511	\$118,607,527	\$21,435,792	\$34,611,607	\$0	\$427,553,404	\$259,532,887	\$0	\$34,434,969	\$462,985,967
FY 2007	\$323,957,945	\$238,190,720	\$0	\$154,823,968	\$136,008,512	\$32,671,539	\$52,329,617	\$0	\$437,519,747	\$304,773,401	\$0	\$35,878,194	\$622,796,927
FY 2008	\$328,505,433	\$254,722,174	\$0	\$165,569,413	\$141,672,630	\$29,252,347	\$59,486,239	\$0	\$498,767,038	\$334,742,500	\$0	\$39,656,301	\$728,839,324
FY 2009	\$329,723,191	\$267,471,299	\$0	\$173,856,344	\$149,562,613	\$17,482,143	\$61,530,735	\$0	\$531,239,020	\$353,893,845	\$0	\$43,184,393	\$800,148,391
FY 2010	\$332,481,933	\$279,250,547	\$0	\$181,512,856	\$155,918,241	\$11,679,229	\$70,795,686	\$0	\$575,539,788	\$395,817,017	\$0	\$45,465,776	\$814,964,302
FY 2011	\$345,164,271	\$282,782,431	\$0	\$183,808,580	\$158,724,010	\$8,168,640	\$66,258,008	\$70,629,797	\$608,461,321	\$384,017,059	\$0	\$47,151,354	\$890,870,304
FY 2012	\$363,348,030	\$271,925,242	\$0	\$176,751,407	\$154,607,926	\$5,189,934	\$71,575,942	(\$2,941,996)	\$687,987,585	\$454,143,825	\$0	\$48,181,723	\$741,013,656
FY 2013	\$355,685,504	\$139,213,557	\$102,363,704	\$180,824,522	\$160,952,396	\$3,041,001	\$98,628,841	\$0	\$686,321,003	\$496,229,923	\$1,075,388	\$47,048,587	\$551,048,281
FY 2014	\$363,631,292	\$290,775,235	\$36,058,148	\$189,003,903	\$169,847,447	\$2,061,745	\$135,536,021	\$0	\$663,776,623	\$539,842,962	\$27,507,107	\$48,894,894	\$457,940,487
FY 2015	\$369,066,459	\$304,917,343	\$768,100,754	\$198,196,273	\$179,157,485	\$1,495,680	\$200,321,166	\$0	\$746,668,738	\$649,457,501	\$59,000,080	\$51,150,088	\$972,919,240
FY 2016	\$374,736,269	\$320,895,370	\$0	\$208,581,991	\$189,111,901	\$5,421,446	\$198,315,301	\$0	\$789,756,266	\$716,536,786	\$69,228,872	\$52,973,441	\$641,486,153
FY 2017	\$384,858,372	\$332,126,708	\$15,651,511	\$215,882,360	\$195,466,131	\$2,317,342	\$203,721,799	\$0	\$789,369,355	\$850,111,662	\$66,084,946	\$55,582,746	\$230,361,668
FY 2018	\$389,991,047	\$343,751,143	\$0	\$223,438,243	\$201,859,570	\$554,102	\$249,522,669	\$0	\$831,605,553	\$1,009,113,962	\$77,065,127	\$56,832,285	(\$335,138,485)
FY 2019	\$395,413,206	\$350,626,166	\$0	\$227,907,008	\$205,640,832	\$0	\$284,078,259	\$0	\$874,273,706	\$1,173,642,378	\$110,973,452	\$57,886,963	(\$1,088,249,515)
FY 2020	\$400,140,119	\$357,638,689	\$0	\$232,465,148	\$209,497,720	\$0	\$321,468,405	\$0	\$918,050,186	\$1,352,418,326	\$127,635,321	\$58,512,125	(\$2,023,655,392)
FY 2021	\$401,947,666	\$364,791,463	\$0	\$237,114,451	\$213,431,746	\$0	\$361,633,499	\$0	\$961,000,731	\$1,540,903,853	\$146,348,201	\$59,540,494	(\$3,152,529,846)

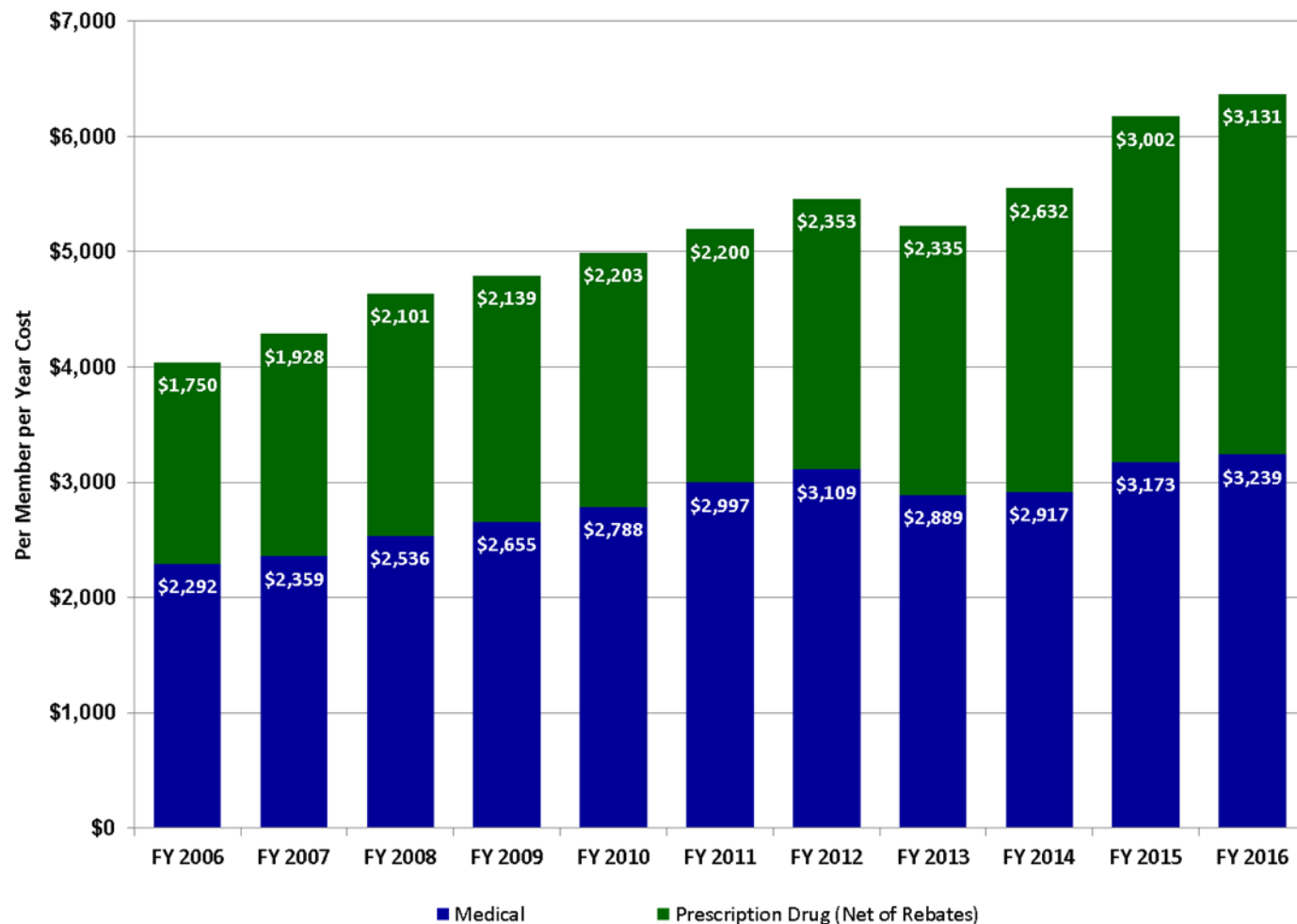
NOTES

- Invoice data through August 31, 2016
- This purpose of this report is to project revenue and expenses on an incurred basis and should not be used as a projection of cash flow.
- 68% participation in Medicare Advantage and 80% participation in Part D plan, which were effective 1/1/2013.
- State Contribution rate of 1%; District Contribution rate of 0.55%; and Active Contribution rate of 0.65%.
- Enrollment assumptions based on headcounts assumed in annual Other Post Employment Benefits (OPEB) valuation report.
- 4.5% payroll growth in FY2016; 3.5% payroll growth in FY2017 and FY2018; 2% increase in payroll growth thereafter.
- Medical trends: 7.0% for Care 1; 7.0% for Care 2; 7.0% for Care 3 through FY2017; reduced by 0.25 each year thereafter.
- Pharmacy trends: 12% for Care 2; 12% for Care 3; 12% for Medicare Part D plans, reduced by 0.50 each year thereafter.
- Interest Rate = 0.4%
- Medicare Part D Risk Score of 0.870 beginning January 1, 2016



TRS-Care

Average Per Member Per Year Plan Cost



Medical and pharmacy costs are shown based on claims incurred during the fiscal year and paid through November 30, 2016. FY2016 figures include an estimate of IBNR. Prescription drug claims are net of pharmaceutical rebates.



Cost Drivers

- Increase in medical costs
- Increase in prescription drug costs
- Maintaining access and choice in managing providers
- Increased utilization due to aging population
- Changes in the number of retirees in the group, particularly Non-Medicare
 - Changes in Medicare programs
 - Medicare primary benefits for members enrolled in the self-funded plans
- CMS reimbursements for fully-insured Medicare Advantage and Medicare Part D plans
- Advances in technology for medical testing/equipment
- Development of new specialty and biogenetic drugs
- Federal and state legislation



Current Participation by Medicare Status

Participant Count as of December 2016

Medicare Status	Relationship to Retiree	TRS-Care 1	TRS-Care 2	TRS-Care 3	Medicare Advantage for TRS-Care 2	Medicare Advantage for TRS-Care 3	Total
Medicare A&B	Retirees	12,969	4,284	32,893	9,901	72,393	132,440
	Dependents	1,043	1,703	7,492	4,509	15,732	30,479
Medicare B Only	Retirees	8,844	1,528	7,087	0	0	17,459
	Dependents	161	194	266	0	0	621
Non-Medicare	Retirees	4,814	31,635	19,879	0	0	56,328
	Dependents	1,133	13,751	7,491	0	0	22,375
Total		28,964	53,095	75,108	14,410	88,125	259,702



Retiree Premium Contributions

■ TRS-Care 1

- The law requires that a catastrophic plan be offered at no cost for retiree only coverage.
- Retirees pay for coverage of his/her dependents

■ TRS-Care 2 and TRS-Care 3

- Retiree premium contributions for optional coverages are based on plan election, Medicare status and Years of Service.
- Monthly retiree premiums for both Medicare Advantage plans are \$15 less than the premium for the traditional medical plans.
- Monthly retiree premiums shown below are for 20-29 Years of Service

	TRS-Care 1		TRS-Care 2		TRS-Care 3	
<u>Medicare Status</u>	<u>Retiree Only</u>	<u>Retiree & Spouse</u>	<u>Retiree Only</u>	<u>Retiree & Spouse</u>	<u>Retiree Only</u>	<u>Retiree & Spouse</u>
Medicare Parts A&B	\$0	\$20	\$70	\$175	\$100	\$255
Medicare Part B Only	\$0	\$75	\$155	\$340	\$230	\$505
Non-Medicare	\$0	\$140	\$200	\$430	\$295	\$635



Challenges for TRS-Care

- Long-term funding based on percentages of active employee payroll and not health care costs for retirees.
- The shortfall next biennium projected to be from \$1.09 to \$1.3 billion. The following biennium shortfall is expected to range from \$4 to \$6 billion.
- The current structure for TRS-Care is not sustainable.
- Long-term solutions must be pursued immediately. Major plan design and/or funding changes must be sought in the 85th Legislative Session.
- Approximately 20,000 new retirees are added to the plan each year.
- Non-Medicare retirees cost up to four times more than the cost of Medicare-eligible participants.
- FY 2016, each non-Medicare eligible participant in TRS-Care 3 cost the plan approximately \$13,700 versus \$3,222 for a retiree enrolled in Medicare Advantage and Medicare Part D plans.



Joint Committee on Healthcare Plans Conclusion

- Two plan options in the report assume current funding levels by state, school districts and active employees. Eliminates a no-cost plan option for retirees.
- Neither option fully address the projected shortfall in FY 2018-2019 estimated to be \$1.1 to \$1.3 billion.
- HRA Plan projection reduces shortfall to approximately \$300 million.
- HD Plan projection reduces shortfall to approximately \$263 million.

Without legislative changes or additional funding the program will quickly become unsustainable.



Conclusions: TRS-Care

- The Board would also be forced to administer a combination of increased copayments, deductibles, and out-of-pocket expenses for all plan levels.
- Since premiums would be increased dramatically, many participants would likely decrease coverage to TRS-Care 1.
 - Projected cost of coverage for all retirees in TRS-Care 1 would be approximately \$1.08 billion in FY 2018.
 - Additionally, this migration to the TRS-Care 1 plan would create a significant loss of premium revenue, which would cause further increases in premiums all other TRS-Care plans.
- Under this scenario, where no significant funding and/or benefit changes occur, funding for TRS-Care would be inadequate to pay claims and sustain the plan through the 2018-2019 biennium.
- Thus, the Board would likely be obligated to close the TRS-Care plan and begin to phase out current participants.



Illustrative FY 2018 Premium Contributions

Illustrative FY 2018 Premium Contributions Assuming No Change to the Current Plan

		Current Retiree Contributions			Illustrative FY2018 Retiree Premium Contributions		
Coverage Tier	Medicare Status	TRS-Care 1	TRS-Care 2	TRS-Care 3	TRS-Care 1	TRS-Care 2	TRS-Care 3
Retiree Only	Medicare A&B	\$0	\$70	\$100	\$0	\$131	\$229
	Medicare B Only	\$0	\$155	\$230	\$0	\$221	\$621
	Non-Medicare	\$0	\$200	\$295	\$0	\$706	\$1,288
Retiree & Spouse	Both Medicare A&B	\$20	\$175	\$255	\$659	\$791	\$923
	Both Non-Medicare	\$140	\$430	\$635	\$1,756	\$2,107	\$2,458
Retiree & Child	Both Non-Medicare	\$28	\$262	\$377	\$1,392	\$1,670	\$1,949
Retiree & Family	All Non-Medicare	\$168	\$492	\$717	\$2,185	\$2,622	\$3,059



TRS-ActiveCare



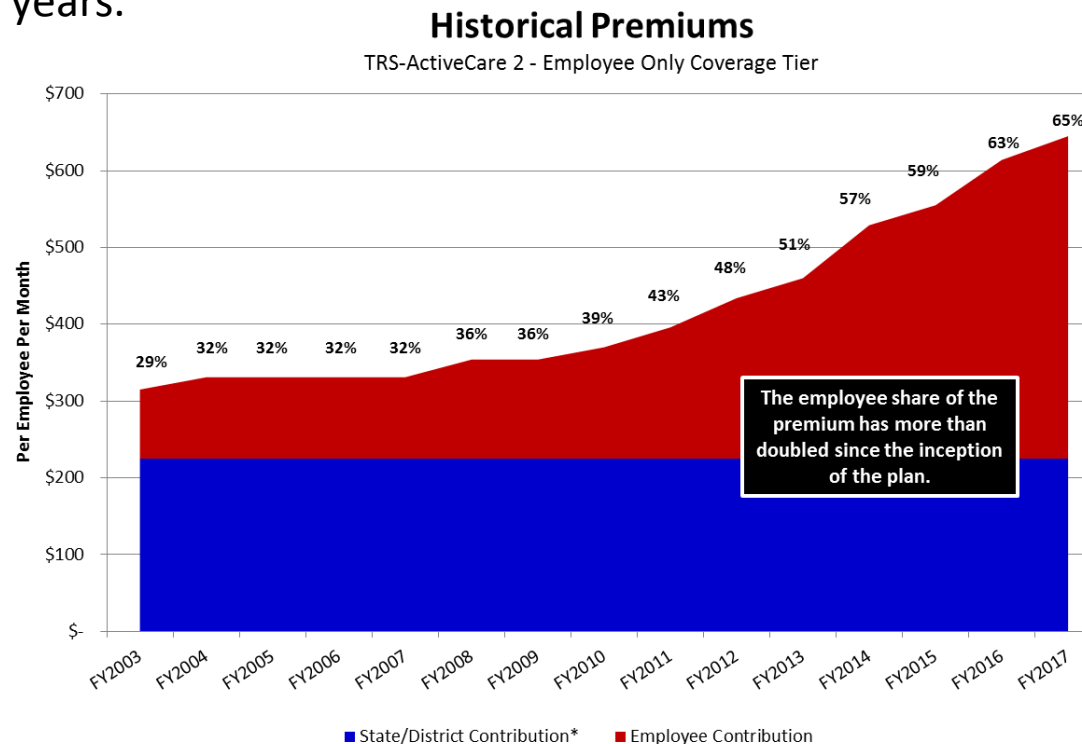
History of TRS-ActiveCare

- Created in 2001 with coverage beginning on September 1, 2002
 - Medical benefits administered by Blue Cross Blue Shield on a self-funded basis
 - Prescription drug benefits administered by Medco (Express Scripts, Inc.) on a self-funded basis
- Effective September 1, 2014, plan design changes were implemented
 - Medical benefits administered by Aetna on a self-funded basis
 - Prescription drug benefits administered by CVS/Caremark on a self-funded basis
- Approximately 11.2% of the covered population has elected coverage in the fully insured HMO plans



TRS-ActiveCare Contribution Rates

- Funding is based on a fixed dollar amount per employee per month rather than actual health care costs.
- Minimum State (\$75 per employee per month) and district contributions (\$150 per employee per month) have not changed since plan inception in FY2002.
- The employee share of premiums have increased from 30% to more than 60% over the last 12 years.



*Assumes a \$75 state and \$150 minimum district contribution per month toward the cost of coverage.



FY2017 ActiveCare Gross Premiums

Coverage Tier	ActiveCare-1HD	ActiveCare-Select	ActiveCare-2
Employee Only	\$341	\$484	\$645
Employee & Spouse	\$914	\$1,147	\$1,552
Employee & Child(ren)	\$615	\$779	\$1,042
Employee & Family	\$1,231	\$1,361	\$1,597

- Gross monthly premiums shown before State and District Contributions
- For Employee Only coverage, the employee share of premium would be \$116 per month for the ActiveCare-1HD plan for a district contributing the minimum \$150 per month.
- A TRS informal survey of 2016 district contributions shows that more than 80% of district employees receive more than the monthly minimum employer contribution.

Monthly Contributions	Percent of Districts	Percent of Employees
\$225 Minimum contribution (State = \$75, District = \$150 min)	32.73%	17.29%
\$226 - \$400	60.22%	74.82%
\$401 - \$614 (\$614 is the max)	7.05%	7.88%



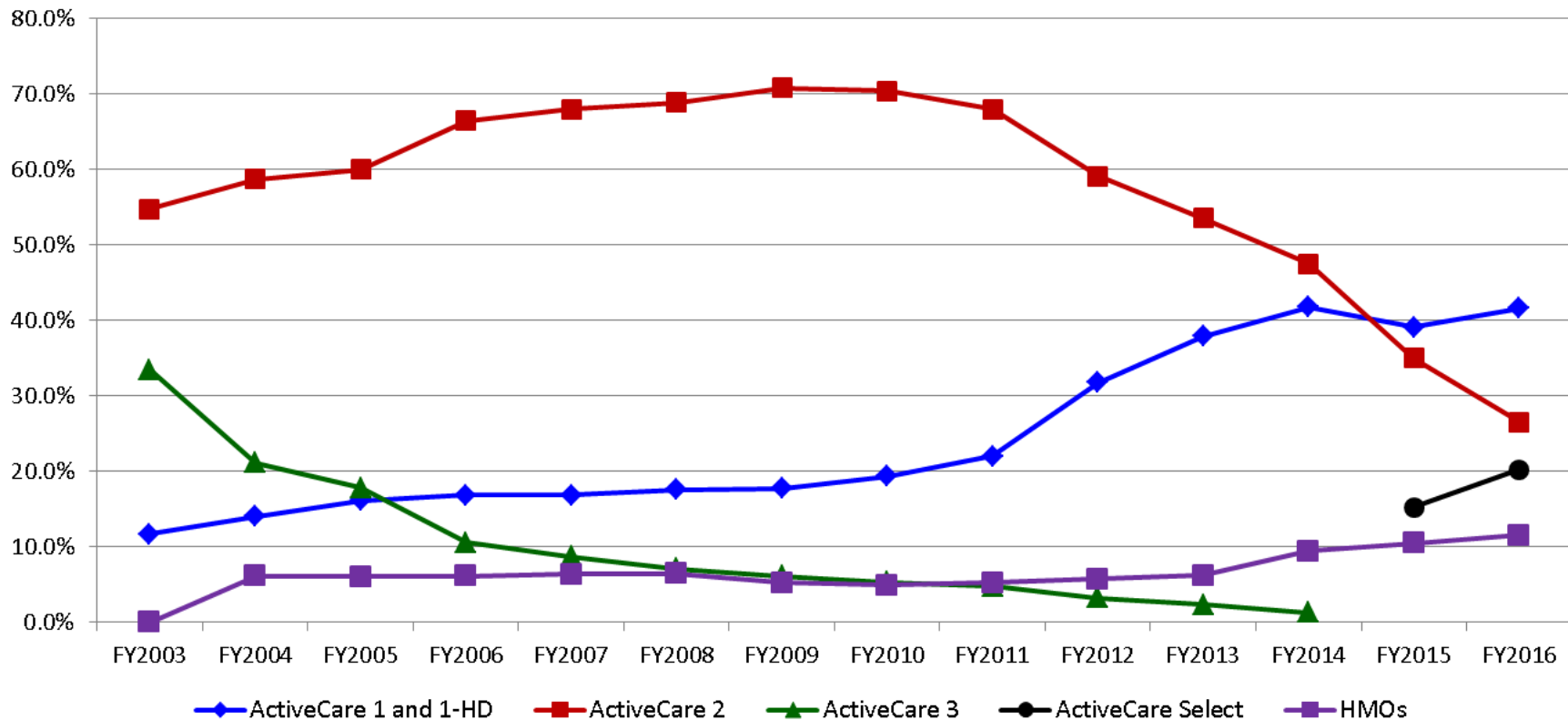
TRS-ActiveCare Participation

Entity Type	# Eligible	#Participating	% Participation
Less than 500	809	794	98.1%
500-1,000	104	91	87.5%
More than 1,000	107	57	53.3%
Charter	172	128	74.4%
Regional Service Centers	20	20	100%
Other Ed (Cooperatives)	5	5	100%
Total	1,217	1,095	90.0%



History of TRS-ActiveCare

Distribution of Participants by Plan

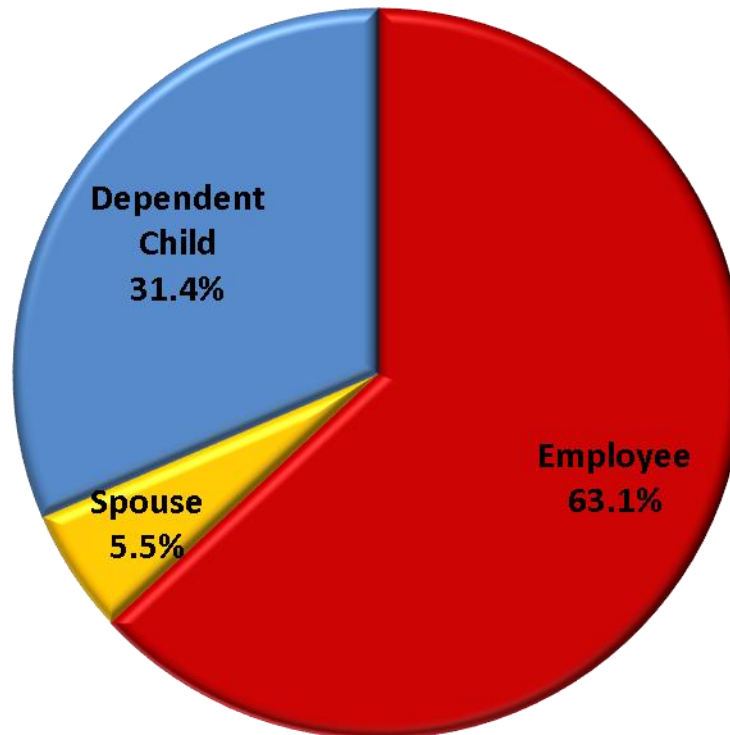




Current Participation Coverage Tier

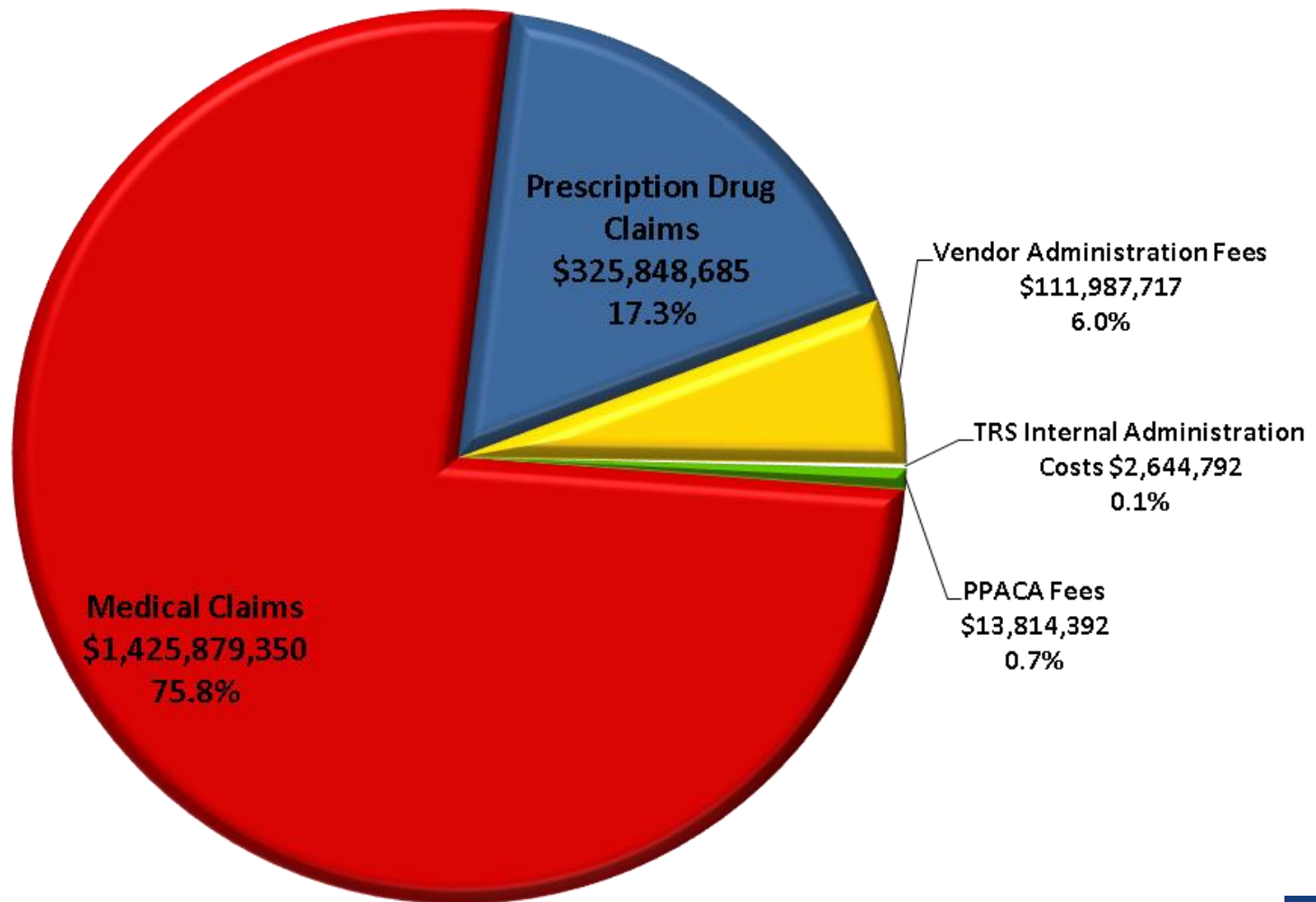
Participant Count as of December 2016

Coverage Tier	TRS-ActiveCare 1-HD	TRS-ActiveCare 2	TRS-ActiveCare Select (Open Access)	TRS-ActiveCare Select (ACO Area)	Total
Employee Only	123,866	37,738	24,748	19,251	205,603
Employee & Spouse	8,810	3,234	2,442	1,386	15,872
Employee & Child	75,913	32,457	28,859	19,245	156,474
Employee & Family	<u>19,606</u>	<u>34,266</u>	<u>10,397</u>	<u>5,802</u>	<u>70,071</u>
Total	228,195	44,004	66,446	45,684	448,020





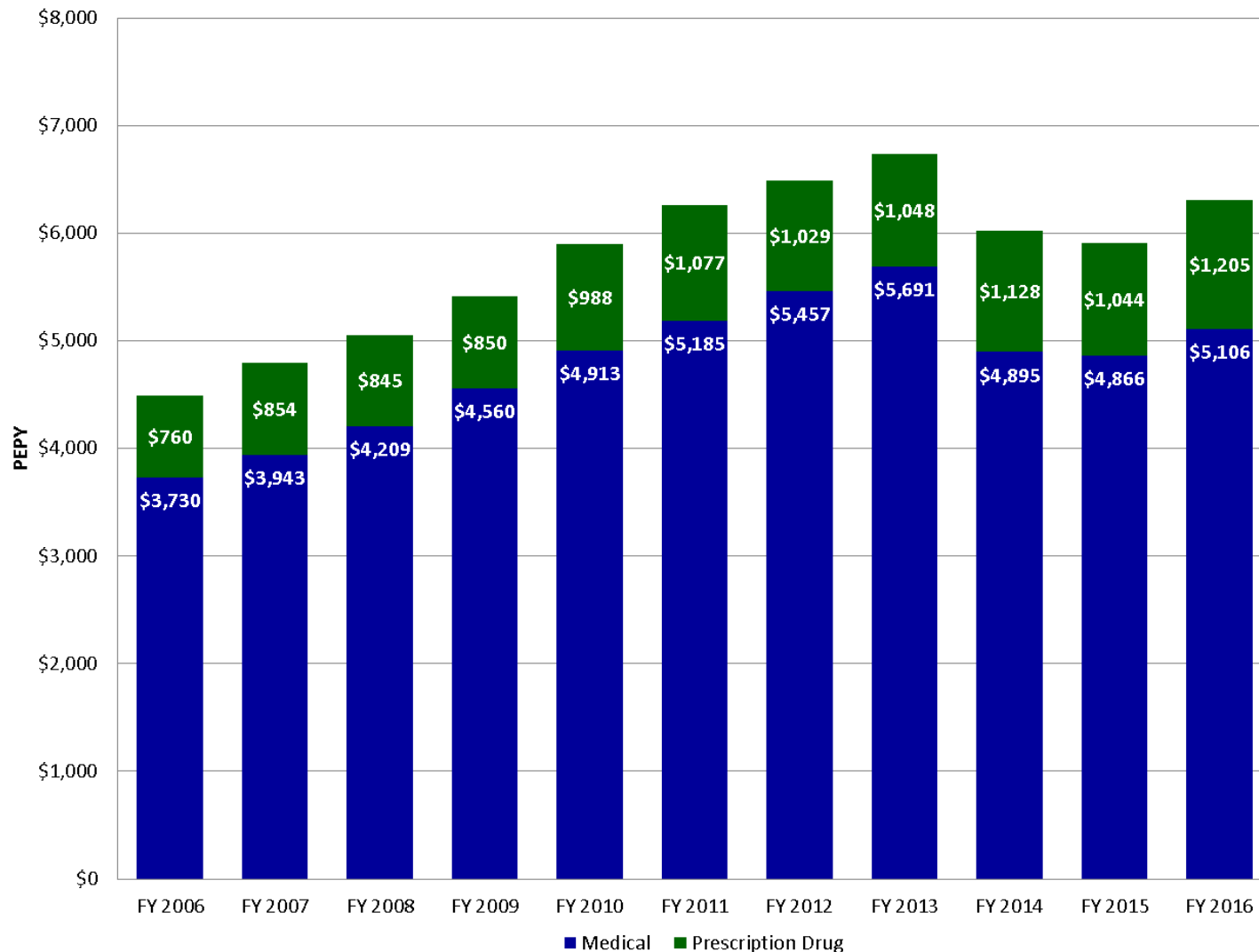
TRS-ActiveCare FY 2016 Expenses





TRS-ActiveCare

Average Per Member Per Year Plan Cost



Medical and pharmacy costs are shown based on claims incurred during the fiscal year and paid through September 30, 2016. FY2016 figures include an estimate of IBNR. Prescription drug claims are net of pharmaceutical rebates.



Cost Drivers

- Increase in the number of participating entities
- Increases in medical cost of services
- Increases in prescription drug costs
- Maintaining access and choice in managing providers
- Advances in technology for medical testing/equipment
- Development of new specialty and biogenetic drugs
- State and District contributions are not linked to industry trend
- Potential adverse selection due to the availability of public exchanges
- Federal and state legislation



Challenges for TRS-ActiveCare

- TRS-ActiveCare has an affordability issue.
- State and minimum district contributions have not changed since the inception of the program in 2002.
- The employee's share of the total premium cost has increased significantly. As premiums have increased, employees are selecting lower benefit plans.
- Districts that do not participate in TRS-ActiveCare and administer their own plans may feel more accountable for the affordability of coverage.
- There is a disparity between TRS-ActiveCare benefits and premiums in comparison to what is available to Texas state employees (under ERS).



Joint Committee on Healthcare Plans



Joint Committee on Healthcare Plans

- Joint interim legislative committee on TRS health benefit plans established after 84th Session to study both TRS-Care and ActiveCare
- Hearings held on both TRS-Care and ActiveCare
- Report to the Legislature issued in November 2016
- Focus of the study is to examine and assess:
 - the financial soundness of the plans;
 - the cost and affordability of plan coverage; and
 - the sufficiency of access to physicians and health care providers under the plan



Two Plan Options to Improve TRS-Care Solvency

- Assume current funding levels by state, school districts and active employees.
- Eliminates a no-cost plan option for retirees.
- Provide that Medicare-eligible retirees (both A & B, and B only retirees) and their Medicare eligible dependents would be eligible to enroll in Medicare Advantage plan and Medicare Part D plan. This would be the only plan available to Medicare-eligible participants through TRS-Care.
- The Medicare Advantage/Medicare Part D plan would be similar to current TRS-Care Medicare Advantage 3 level plan.



Two Plan Options to Provide Sufficient Access

- TRS would ensure accommodations are made so that retirees have sufficient access to providers, especially for those located in rural areas.
- The Committee recognized that the Medicare Advantage plan may result in limited access to some providers in certain areas around the state; however, the Legislature would direct TRS to develop a policy to ensure retirees have sufficient provider access by offering alternative providers in those areas.



HRA Plan for Non-Medicare Retirees

- Health Reimbursement Account (HRA) Plan would provide a defined contribution plan for non-Medicare eligible retirees.
- Beginning 1/1/2018 retiree premiums would be restructured varying by coverage tier (retiree only, retiree dependents, etc.) and Medicare status of the retiree.
- A non-Medicare eligible retiree would use HRA to shop on the public exchange and choose a health care plan to serve his or her needs.



HRA Plan for Non-Medicare Retirees

¹ 2017 Maximum Out-of-Pocket limits for in-network benefits; maximum Out-of-Pocket limits for out-of-network benefits are not regulated by the federal government and can be set by the plan.

² Gross premiums less \$275.82 State/District/Active Employee average contribution per retiree per month.

Participant Status	Illustrative Plan Design	Illustrative CY2018 Retiree Premiums ²
Non-Medicare retirees	Defined Contribution with HRA \$400 per retiree per month	No retiree contributions
Medicare Part B Only retirees	Medicare Advantage/Part D \$500 Deductible	<u>Medicare Retirees</u> Retiree Only = \$143 Retiree & Spouse = \$601 Retiree & Child(ren) = \$584 Retiree & Family = \$1,236
Medicare Part A&B retirees	\$3,500 MOOP 80%/20% coinsurance Copayments for IH Admit, OH Services, ER Visit, UC Visit, Lab and prescription drugs.	
Non-Medicare Dependents of Medicare eligible retirees ¹	TRS-Care-2 \$1,300/\$2,600 Deductible \$7,150/\$14,300 MOOP ¹ 80%/20% coinsurance Copayments for IH Admit, OH Services, ER Visit, UC Visit, Lab and prescription drugs.	



HRA Plan Projection

HRA Plan Projection:

Retiree premium contributions at CY2018 Illustrative Premiums

Fiscal Years	Projected Revenue from Ongoing Sources				Total Projected Revenue	Total Projected Costs	Difference
	State	District	Active Employee	Retirees			
FY2018 - FY2019	\$669,653,480	\$391,226,795	\$435,274,762	\$991,850,269	\$2,488,005,306	\$2,787,849,308	(\$299,844,002)
FY2020 - FY2021	\$696,707,481	\$406,106,495	\$452,859,862	\$1,092,426,600	\$2,648,100,438	\$3,366,547,434	(\$718,446,996)



HD Plan for Non-Medicare Retirees

- The High Deductible (HD) Plan would provide a high deductible health plan for non-Medicare eligible participants.
- Beginning 1/1/2018 retiree premiums would be restructured varying by coverage tier and Medicare status of the retiree.
- Under this plan, non-Medicare eligible members would be eligible to enroll in a high deductible health care plan similar to the TRS-Care 1 level plan.



HD Plan for Non-Medicare Retirees

Participant Status	Plan Design	Illustrative CY2018 Retiree Premiums ²
Non-Medicare members	TRS-Care-HD <u>In-Network</u> \$4,000/\$8,000 Deductible \$7,150/\$14,300 MOOP ¹ 80%/20% coinsurance <u>Out-of-network</u> \$8,000/\$16,000 Deductible \$14,300/\$28,600 MOOP ¹ 60%/40% coinsurance	<u>Non-Medicare Retirees</u> Retiree Only = \$430 Retiree & Spouse = \$974 Retiree & Child(ren) = \$663 Retiree & Family = \$1,310
Medicare Part B Only members	Medicare Advantage/Part D \$500 Deductible \$3,500 MOOP 80%/20% coinsurance Copayments for IH Admit, OH Services, ER Visit, UC Visit, Lab and prescription drugs.	<u>Medicare Retirees</u> Retiree Only = \$146 Retiree & Spouse = \$590 Retiree & Child(ren) = \$504 Retiree & Family = \$1,106
Medicare Part A&B members		

¹ 2017 Maximum Out-of-Pocket limits for in-network benefits; maximum Out-of-Pocket limits for out-of-network benefits are not regulated by the federal government and can be set by the plan.

² Gross premiums less \$275.82 State/District/Active Employee average contribution per retiree per month.



HD Plan Projection

HD Plan Projection: Retiree premium contributions at CY2018 Illustrative Premiums

Fiscal Years	Projected Revenue from Ongoing Sources				Total Projected Revenue	Total Projected Costs ¹	Difference
	State	District	Active Employee	Retirees			
FY2018 - FY2019	\$669,653,480	\$391,226,795	\$435,274,762	\$1,569,668,132	\$3,065,823,169	\$3,329,186,792	(\$263,363,623)
FY2020 - FY2021	\$696,707,481	\$406,106,495	\$452,859,862	\$1,761,457,464	\$3,317,131,302	\$4,142,853,950	(\$825,722,648)

¹Projected costs for FY2018 include the additional plan costs resulting from extending the FY2017 plan year an additional four months.



Option to Improve TRS-ActiveCare Affordability

- Offer a single high-deductible health plan (TRS-ActiveCare 1-HD) for school districts and certain entities with 1,000 or fewer employees.
- This would be the only plan available. ActiveCare 2, ActiveCare Select, and HMO plans would no longer be offered.
- School districts and certain entities with more than 1,000 employees would not have the option to join and be responsible for their own plan.
- One single opt-out provision for eligible entities with no provision to opt-in at a later time.



TRS-ActiveCare 1-HD

- Single plan option available to active employees and their families of participating entities.
- Funding for the plan would maintain the \$75 per month per employee from the state and the minimum of \$150 per month per employee from the district.
- Network of medical providers limited to value-based purchasing models, such as Accountable Care Organizations where available. Broader network in the remainder of the state to allow sufficient choices for providers, especially for those located in rural areas.
- Network of pharmacies includes all pharmacies in the existing broad network.



TRS-ActiveCare 1-HD

“TRS-ActiveCare 1-HD” Illustrative Plan

Member Status	Estimated Employee ⁶ /Retiree Count	Plan Design	Illustrative CY2018 Gross Premium	Illustrative CY2018 Employee Premium	Fiscal Year	Projected Revenue	Projected Costs
Districts with 1,000 or fewer employees (single opt-out option)	164,048 employees 102,530 dependents	TRS ActiveCare 1HD <u>In-Network</u> \$2,500/\$5,000 Deductible \$6,550/\$13,100 MOOP ¹ 80%/20% coinsurance <u>Out-of-network</u> \$5,000/\$10,000 Deductible \$14,300/\$28,600 MOOP ² 60%/40% coinsurance	Employee Only = \$489 Employee & Spouse = \$1,244 Employee & Child(ren) = \$831 Employee & Family = \$1,377	Employee Only = \$264 Employee & Spouse = \$1,019 Employee & Child(ren) = \$606 Employee & Family = \$1,152	FY2018	\$1,245,137,777	\$1,216,471,012
					FY2019	\$1,245,137,777	\$1,293,298,766
					FY2020	\$1,245,137,777	\$1,401,639,733
					FY2021	\$1,245,137,777	\$1,508,785,537



Regional Rating

- The Committee also reviewed establishing premiums based on age and/or geographic location. Under current law, TRS-ActiveCare is required to offer uniform statewide coverage.
- As a result of uniform rating, employees who reside in lower cost geographic areas are subsidizing those in higher cost areas. TRS found there is a 92% cost differential between the highest cost area and the lowest cost.
- Establishing regional rating methods to determine premiums would significantly increase premiums in certain areas of the state while lowering them in other areas.
- Attempting to establish premiums based on age and/or geographic location would not achieve plan affordability for all members.

**Optional Retirement Program
Summary of Recommendations - House**

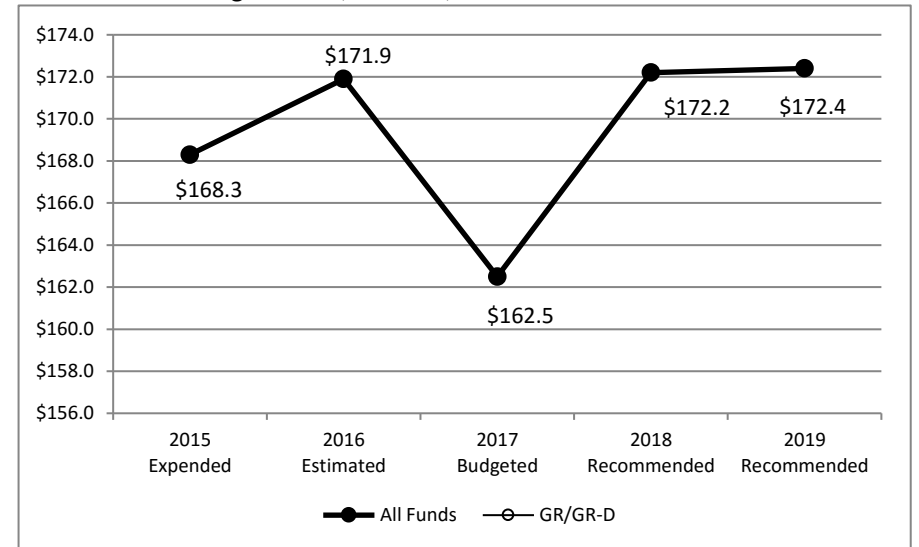
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Trevor Simmons, LBB Analyst

Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$254,108,977	\$245,793,122	(\$8,315,855)	(3.3%)
GR Dedicated Funds	\$80,295,887	\$98,815,512	\$18,519,625	23.1%
<i>Total GR-Related Funds</i>	<i>\$334,404,864</i>	<i>\$344,608,634</i>	<i>\$10,203,770</i>	<i>3.1%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$334,404,864	\$344,608,634	\$10,203,770	3.1%

	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs			0.0	0.0%

Historical Funding Levels (Millions)



The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.

Optional Retirement Program
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>Funding Changes and Recommendations:</i>							
A)	Decrease in General Revenue funding due to a decline of payroll covered by General Revenue.	(\$8.3)	\$0.0	\$0.0	\$0.0	(\$8.3)	A.1.1.
B)	Increase due to the growth of payroll covered by General Revenue-Dedicated Funds.	\$0.0	\$18.5	\$0.0	\$0.0	\$18.5	A.1.1.
TOTAL Funding Changes and Recommendations (in millions)		(\$8.3)	\$18.5	\$0.0	\$0.0	\$10.2	As Listed
<i>Funding Increases</i>		\$0.0	\$18.5	\$0.0	\$0.0	\$18.5	As Listed
<i>Funding Decreases</i>		(\$8.3)	\$0.0	\$0.0	\$0.0	(\$8.3)	As Listed

NOTE: Totals may not sum due to rounding.

**Optional Retirement Program
Selected Fiscal and Policy Issues - House**

1. **State Contributions to the Optional Retirement Program.** Recommendations for 2018-19 are \$344.6 million, which is \$10.2 million, or 3.1 percent, above the 2016-17 base. The biennial increase is attributable to higher than anticipated growth in fiscal year 2016, offset to some extent by a projected decline in the institutional use of General Revenue to cover ORP participant payroll. Recommendations include funding sufficient to provide a 6.6 percent state contribution rate to the Optional Retirement Program for higher education employees in each year of the 2018-19 biennium, the same rate as the 2016-17 biennium.

For the purpose of estimating state contributions, recommendations assume a payroll decline of 1.0 percent for the General Revenue portion of contributions to the Optional Retirement Program, and 3.0 percent growth for the General Revenue-Dedicated portion, based on recent trends. The 2016-17 General Appropriations Act budgeted 2.0 percent decline of General Revenue and a 4.0 percent growth of General Revenue-Dedicated.

The 2018-19 assumptions roughly correlate with the average annual growth rates of contributions to ORP over the last ten years, which are a 0.9 percent decline for the portion covered by General Revenue, and 3.3 percent growth for the portion by General Revenue-Dedicated. These trends are driven by a decline in the institutional use of General Revenue to cover ORP participant payroll, and a corresponding increase in the use of statutory tuition (General Revenue-Dedicated) and other local funds. When the General Revenue and General Revenue-Dedicated portions of retirement are added together and projected through the 2018-19 biennium, the composite weighted average growth rate of the two methods of finance is approximately 0.1 percent.

2. **Limitation of General Revenue Fund Retirement Contributions to Public Junior and Community Colleges.** Recommendations include the limitations required by Senate Bill 1812, Eighty-third Legislature, for contributions to Public Junior and Community Colleges. These include a cap on state appropriations of 50 percent of the employer contribution for eligible Instructional and Administrative employees. In addition, the number of employees eligible to receive state contributions may not be adjusted in a proportion greater than the change in student enrollment at each community college district. Districts that experience a decline in enrollment may petition the Legislative Budget Board to maintain eligible employees up to 98 percent of the employee level of the previous biennium.

**Optional Retirement Program
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	5
B	Summary of Federal Funds	*
C	FTE Highlights	*
D	Performance Measure Highlights	7
E	Summary of Ten Percent Biennial Base Reduction Options	*

* Appendix is not included - no significant information to report

Optional Retirement Program					
Funding Changes and Recommendations by Strategy -- ALL FUNDS - House					
Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
OPTIONAL RETIREMENT PROGRAM A.1.1	\$334,404,864	\$344,608,634	\$10,203,770	3.1%	
Total, Goal A, OPTIONAL RETIREMENT PROGRAM	\$334,404,864	\$344,608,634	\$10,203,770	3.1%	
Grand Total, All Strategies	\$334,404,864	\$344,608,634	\$10,203,770	3.1%	

Optional Retirement Program
Funding Changes and Recommendations by Strategy -- Supplemental - House

Strategy/Fund Type/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
OPTIONAL RETIREMENT PROGRAM A.1.1	\$334,404,864	\$344,608,634	\$10,203,770	3.1%	Recommendations include a state contribution rate of 6.6 percent of active member payroll.
GENERAL REVENUE FUNDS	\$254,108,977	\$245,793,122	(\$8,315,855)	(3.3%)	Estimated appropriations of General Revenue Funds reflect a payroll growth assumption of 1.2 percent in fiscal year 2016 (actual) and 1.0 decline each fiscal year in 2017, 2018, and 2019, based on long term trends. The base has been adjusted to incorporate 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
GR DEDICATED	\$80,295,887	\$98,815,512	\$18,519,625	23.1%	Estimated appropriations of General Revenue-Dedicated Funds reflect a payroll growth assumption of 4.7 percent in 2016 (actual) and 3.0 percent growth in 2017, 2018, and 2019, based on long term trends. The base has been adjusted to incorporate 2016 actual expenditures, and 2018-19 recommendations project forward from the updated 2016 base.
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
Total, Goal A, OPTIONAL RETIREMENT PROGRAM	\$334,404,864	\$344,608,634	\$10,203,770	3.1%	
GENERAL REVENUE FUNDS	\$254,108,977	\$245,793,122	(\$8,315,855)	(3.3%)	
GR DEDICATED	\$80,295,887	\$98,815,512	\$18,519,625	23.1%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	
Grand Total, All Agency	\$334,404,864	\$344,608,634	\$10,203,770	3.1%	
GENERAL REVENUE FUNDS	\$254,108,977	\$245,793,122	(\$8,315,855)	(3.3%)	
GR DEDICATED	\$80,295,887	\$98,815,512	\$18,519,625	23.1%	
FEDERAL FUNDS	\$0	\$0	\$0	0.0%	
OTHER FUNDS	\$0	\$0	\$0	0.0%	

Optional Retirement Program
Performance Measure Highlights - House

	Expended 2015	Expended 2016	Budgeted 2017	Recommended 2018	Recommended 2019
• Number of Participants in the Optional Retirement Program	37,702	37,613	37,613	37,613	37,613
<i>Measure Explanation: Fiscal years 2015 and 2016 are actual per reports from the Texas Higher Education Coordinating Board. Estimates for 2017-19 are based on assumed 0.0 percent change. The average annual change in participation since 2002 is a decline of 0.1 percent.</i>					

Public Community/Junior Colleges Summary of Recommendations - House

Page III-206
Emily Schmidt, LBB Analyst

Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$1,778,578,406	\$1,765,582,635	(\$12,995,771)	(0.7%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$1,778,578,406	\$1,765,582,635	(\$12,995,771)	(0.7%)
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$1,778,578,406	\$1,765,582,635	(\$12,995,771)	(0.7%)

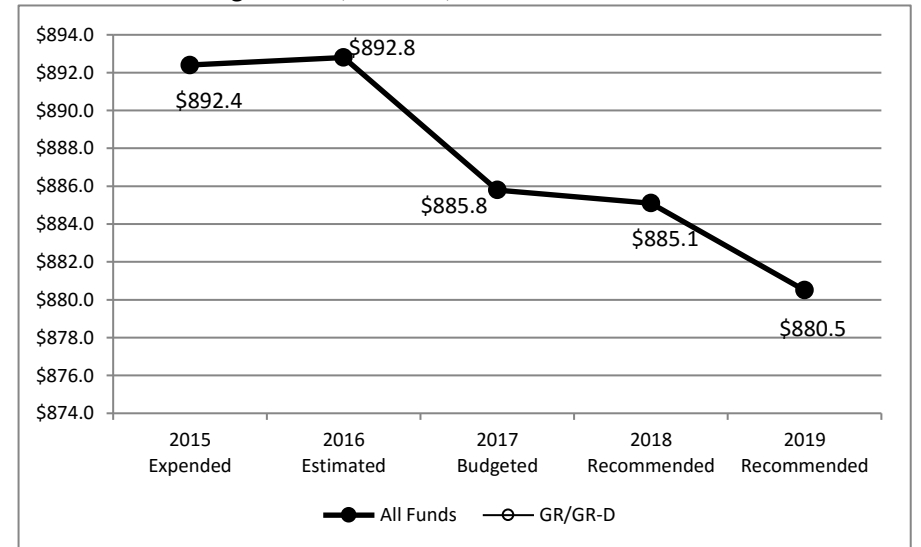
	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs			0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

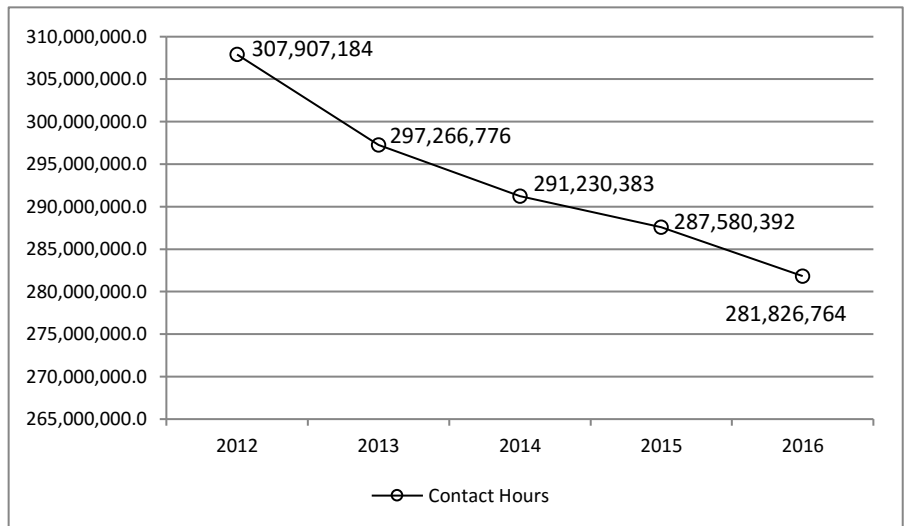
State appropriations for the Public Community and Junior Colleges are funded with General Revenue only. Formula funding for the community colleges maintains the \$1.0 million core operations funding for each community college district, funds contact hours with 90 percent of the remaining funds maintaining the 2016-17 contact hour rate, and funds success points with the remaining 10 percent of the funds.

The bill pattern for this agency (2018-19 Recommended) represents an estimated 24.8% of the agency's estimated total available funds for the 2018-19 biennium.

Historical Funding Levels (Millions)



Historical Contact Hours



Public Community/Junior Colleges
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>Funding Changes and Recommendations:</i>							
A)	Formula funding decrease as a result of maintaining the 2016-17 contact hour rate and 90/10 split	(\$6.5)	\$0.0	\$0.0	\$0.0	(\$6.5)	Multiple Strategies
B)	Funding for special items that were revenue neutral in 2016-17 at 90 percent of requested levels	(\$0.4)	\$0.0	\$0.0	\$0.0	(\$0.4)	N.2.1, X.2.1
C)	Funding decrease for all other special items as a result of the 4 percent base reduction	(\$1.1)	\$0.0	\$0.0	\$0.0	(\$1.1)	Multiple Strategies
D)	Five percent decrease for all other special items	(\$1.3)	\$0.0	\$0.0	\$0.0	(\$1.3)	Multiple Strategies
E)	Bachelor of Applied Technology programs	\$0.3	\$0.0	\$0.0	\$0.0	\$0.3	G.1.1, AB.1.1, AL.1.1
F)	Funding discontinued for hold harmless appropriated in 2016-17	(\$4.0)	\$0.0	\$0.0	\$0.0	(\$4.0)	Multiple Strategies
TOTAL Funding Changes and Recommendations (in millions)		(\$12.9)	\$0.0	\$0.0	\$0.0	(\$12.9)	As Listed
<i>Funding Increases</i>		\$0.3	\$0.0	\$0.0	\$0.0	\$0.3	As Listed
<i>Funding Decreases</i>		(\$13.2)	\$0.0	\$0.0	\$0.0	(\$13.2)	As Listed

NOTE: Totals may not sum due to rounding.

**Public Community/Junior Colleges
Selected Fiscal and Policy Issues - House**

1. **Overview of Community College Funding.** Funding for Public Community and Junior Colleges comes from three primary sources: state appropriations, tuition and fee revenue, and local property tax revenue. Unlike other institutions of higher education, tuition and fee revenue is not included in state appropriations for community colleges. State appropriations include formula and non-formula funding, which includes special items and funding for bachelor of applied technology programs. While the community college bill pattern consolidates all fifty community college districts, each district submits an individual Legislative Appropriations Request, or LAR, that contains special item information and exceptional item requests. No formula funding is requested through the LAR; however, the Texas Association of Community Colleges submits a formula request on behalf of all fifty community colleges to the LBB and Governor's Office. Community colleges report contact hour data to the Texas Higher Education Coordinating Board (THECB). THECB compiles the data and provides success points and weighted contact hour data (based on THECB Report of Fundable Operating Expenses) to the Legislative Budget Board. This data is the basis for formula funding.
2. **Formula Funding.** Formula funding recommendations continue the same outcomes-based formula methodology used for the 2016-17 biennium that includes three funding components: core operations, contact hours, and success points. Recommendations maintain core operations funding at \$1 million per community college for the biennium, and maintain the funding split between contact hours and success points, with 90 percent of the remaining funding going toward contact hour funding and 10 percent toward success points. Contact hour funding also maintains the 2016-17 contact hour rate of \$2.69 per contact hour per fiscal year. Schedules 3a, 3b, and 3c provide supplementary detail on 2016-17 base formula funding and recommended formula funding for the 2018-19 biennium. THECB will provide updated base year contact hour and success point data in Spring 2017. Should the Legislature choose to use the updated data, there will be a funding reallocation among institutions.
3. **Special Item Funding.** Recommendations for special items total \$28.0 million in General Revenue for 2018-19 and include no new additional items. The total amount for special item funding decreased from 2016-17 by \$2.8 million, or 9 percent, due to:
 - Small Business Development Centers: Recommendations for the Small Business Development Centers identified in Sec. 47, Special Provisions Relating Only to State Agencies of Higher Education, Contingency Appropriations for Small Business Development Centers, (2016-17 GAA) include funding at 90 percent of the requested levels. This results in a reduction of \$363,419 in General Revenue related to the Small Business Development Center at Dallas County Community College.
 - Other Revenue Neutral Special Items: Recommendations include special item support for the Import/Export Training Center at Laredo Community College at 90 percent of the requested levels. This results in a reduction of \$9,625 in General Revenue.
 - All Other Special Item Support: Recommendations include a five percent reduction of all other General Revenue supported special items, which results in a reduction of \$1.3 million from the 2016-17 biennium.
4. **Bachelor of Applied Technology Funding.** Recommendations include funding for the Bachelor of Applied Technology (BAT) programs offered at Brazosport College, Midland College, and South Texas College at the same Instruction & Operations (I&O) Support General Revenue rate used by the General Academic Institutions. Currently, the calculated I&O rate used by the General Academic Institutions is \$39.54 per semester credit hour per fiscal year for the 2018-19 biennium. The amounts in the recommendations will be adjusted to align with the formula funding decisions for the General Academic Institutions. With a 19.7 percent increase in the total semester credit hours for the BAT programs, recommended funding increased by 12 percent to \$2.4 million for the 2018-19 biennium. Statute prohibits these institutions from offering more than five BAT programs. South Texas College offers three Bachelor of Applied Technology programs and one Bachelor of Applied Sciences program. Brazosport College offers two BAT programs, and Midland College offers one BAT program.

5. **Contact Hour Decrease.** The total number of contact hours for the 2018-19 biennium decreased by 0.4 percent from the 2016-17 biennium. Sections 3d and 3e provide additional information on the change in contact hours by community college district for reference.

	2014-15	2016-17	2018-19
Contact Hours	292,341,740	282,919,371	281,826,764
Percent Change from Previous Biennium	(6.5%)	(3.2%)	(0.4%)

6. **Success Points Increase.** Success points formula funding is based on a three-year average of the number of success points earned at each community college. The total number of success points for the 2018-19 biennium increased by 3 percent from the 2016-17 biennium. Sections 3f and 3g provide additional information on the change in success points by community college district and by metric for reference.

	2014-15	2016-17	2018-19
Success Points	929,188	980,204	1,009,516
Percent Change from Previous Biennium	-	5.5%	3.0%

7. **Contact Hour Audit Findings.** THECB conducted audits of two community colleges, Weatherford College and South Texas College in FY 2016. Weatherford College was found to have over-reported approximately 64 percent of continuing education contact hours, resulting in Weatherford College being over-appropriated \$1.4 million for the 2016-17 biennium. Weatherford College did not contest the HECB's audit, and asked for a repayment plan to pay back the funding over multiple biennia. South Texas College (STC) was found to have over-reported 56 percent of continuing education contact hours, resulting in STC being over-appropriated \$2.3 million for the 2016-17 biennium, although at the November THECB board meeting, this amount was lowered to \$1.2 million. South Texas College initially reported that it disagrees with THECB's audit, arguing that the school received erroneous guidance from THECB. THECB provided corrected guidance in July of 2015, but STC reportedly did not change its reporting practices, according to the audit. THECB has begun recoupment of the funds for FY2016. THECB began withholding \$28,737 from the next 50 payments from Weatherford College in July 2016. South Texas College agreed to have their funding payments reduced by \$115,780 each over an 11-month period beginning in August 2016. The recouped funds will be redistributed to the other community colleges, per Rider 7 of the Public Community and Junior College Bill Pattern. Any FY2016 funds that have been recouped will be lapsed back to the General Fund.
8. **Dual Credit Expansion.** Since 2006, school districts have been required by statute to provide high school students the opportunity to earn at least 12 semester credit hours of college credit. Dual credit options include academic dual credit, early college high schools, and career and technical education dual credit. These options are offered through partnerships between high schools and either community colleges or other institutions of higher education. Budgetary and statutory changes, such as those enacted by HB 5, 83rd Legislature, have expanded the availability and diversity of dual credit opportunities. Of the 50 public community and junior colleges, 76 percent listed dual credit expansion as a priority in their Legislative Appropriations Request for 2018-19.
9. **Rider 23 Reporting Requirement.** Recommendations include maintaining the reporting requirement in the Public Community/Junior Colleges bill pattern that requires the community and junior colleges to report contact hours, success points, and tuition and fee revenue by campus, as well as amounts of formula funding and tuition and fee revenue transferred.

Section 3a

Summary of 2016-17 Appropriations by Category of Funds - House

2016-17 General Revenue Appropriations							
	Contact Hour Formula	Success Points Formula	Core Operations	Special Items	90% Hold Harmless	B.A.T.	TOTAL
1	ALAMO COMMUNITY COLLEGE	\$ 105,595,463	\$ 13,306,406	\$ 1,000,000	\$ 8,900,000	\$ -	\$ 128,801,869
2	ALVIN COMMUNITY COLLEGE	\$ 12,094,563	\$ 1,315,758	\$ 1,000,000	-	-	\$ 14,410,321
3	AMARILLO COLLEGE	\$ 24,080,445	\$ 2,507,111	\$ 1,000,000	-	-	\$ 27,587,556
4	ANGELINA COLLEGE	\$ 12,592,130	\$ 1,178,711	\$ 1,000,000	-	-	\$ 14,770,841
5	AUSTIN COMMUNITY COLLEGE	\$ 76,751,327	\$ 9,831,755	\$ 1,000,000	5,962,500	-	\$ 93,545,582
6	BLINN COLLEGE	\$ 41,420,771	\$ 4,970,357	\$ 1,000,000	900,000	-	\$ 48,291,128
7	BRAZOSPORT COLLEGE	\$ 8,132,874	\$ 946,441	\$ 1,000,000	1,000,000	406,076	\$ 11,485,391
8	CENTRAL TEXAS COLLEGE	\$ 31,601,567	\$ 3,566,336	\$ 1,000,000	-	919,635	\$ 37,087,538
9	CISCO JUNIOR COLLEGE	\$ 8,320,929	\$ 1,038,127	\$ 1,000,000	-	-	\$ 10,359,056
10	CLARENDON COLLEGE	\$ 3,697,763	\$ 439,818	\$ 1,000,000	-	-	\$ 5,137,581
11	COASTAL BEND COLLEGE	\$ 10,742,762	\$ 1,100,084	\$ 1,000,000	-	-	\$ 12,842,846
12	COLLEGE OF THE MAINLAND	\$ 9,668,942	\$ 1,007,421	\$ 1,000,000	-	-	\$ 11,676,363
13	COLLIN COUNTY	\$ 59,847,475	\$ 6,641,985	\$ 1,000,000	-	-	\$ 67,489,460
14	DALLAS COLLEGE	\$ 154,616,241	\$ 14,838,972	\$ 1,000,000	4,276,597	-	\$ 174,731,810
15	DEL MAR COLLEGE	\$ 25,688,378	\$ 2,383,742	\$ 1,000,000	-	-	\$ 29,072,120
16	EL PASO COLLEGE	\$ 54,981,812	\$ 8,244,795	\$ 1,000,000	-	-	\$ 64,226,607
17	FRANK PHILLIPS COLLEGE	\$ 3,546,301	\$ 342,883	\$ 1,000,000	-	-	\$ 4,889,184
18	GALVESTON COLLEGE	\$ 5,715,401	\$ 607,312	\$ 1,000,000	-	-	\$ 7,322,713
19	GRAYSON COUNTY COLLEGE	\$ 12,174,067	\$ 1,282,708	\$ 1,000,000	700,000	-	\$ 15,156,775
20	HILL COLLEGE	\$ 10,827,985	\$ 1,222,893	\$ 1,000,000	713,000	9,571	\$ 13,773,449

Section 3a

Summary of 2016-17 Appropriations by Category of Funds - House

2016-17 General Revenue Appropriations							
	Contact Hour Formula	Success Points Formula	Core Operations	Special Items	90% Hold Harmless	B.A.T.	TOTAL
21	HOUSTON COLLEGE	\$ 126,021,909	\$ 12,968,945	\$ 1,000,000	-	-	\$ 139,990,854
22	HOWARD COLLEGE	\$ 9,930,207	\$ 1,078,612	\$ 1,000,000	7,294,744	-	\$ 20,100,378
23	KILGORE COLLEGE	\$ 17,263,929	\$ 1,697,415	\$ 1,000,000	-	-	\$ 19,961,344
24	LAREDO JUNIOR COLLEGE	\$ 17,132,716	\$ 2,187,139	\$ 1,000,000	331,140	-	\$ 20,650,995
25	LEE COLLEGE	\$ 15,662,963	\$ 1,529,274	\$ 1,000,000	-	-	\$ 18,192,237
26	LONE STAR COLLEGE	\$ 133,338,544	\$ 13,847,747	\$ 1,000,000	-	-	\$ 148,186,291
27	MCLENNAN COLLEGE	\$ 20,985,717	\$ 2,232,557	\$ 1,000,000	3,338	-	\$ 24,221,612
28	MIDLAND COLLEGE	\$ 12,353,330	\$ 1,243,028	\$ 1,000,000	710,650	126,334	\$ 15,996,692
29	NAVARRO COLLEGE	\$ 26,680,939	\$ 2,851,806	\$ 1,000,000	-	-	\$ 30,532,745
30	NORTH CENTRAL TEXAS	\$ 18,914,066	\$ 2,519,480	\$ 1,000,000	-	-	\$ 22,433,546
31	NORTHEAST TEXAS COLLEGE	\$ 7,286,761	\$ 869,597	\$ 1,000,000	-	-	\$ 9,156,358
32	ODESSA COLLEGE	\$ 13,083,944	\$ 1,142,914	\$ 1,000,000	-	-	\$ 15,226,858
33	PANOLA COLLEGE	\$ 7,741,430	\$ 627,979	\$ 1,000,000	-	-	\$ 9,369,409
34	PARIS JUNIOR COLLEGE	\$ 14,323,980	\$ 1,649,695	\$ 1,000,000	-	-	\$ 16,973,675
35	RANGER JUNIOR COLLEGE	\$ 5,635,506	\$ 530,209	\$ 1,000,000	-	-	\$ 7,165,715
36	SAN JACINTO COLLEGE	\$ 65,016,967	\$ 6,955,859	\$ 1,000,000	-	-	\$ 72,972,826
37	SOUTH PLAINS COLLEGE	\$ 24,487,052	\$ 2,407,789	\$ 1,000,000	-	-	\$ 27,894,841
38	SOUTH TEXAS COLLEGE	\$ 67,214,385	\$ 7,341,471	\$ 1,000,000	-	1,610,214	\$ 77,166,070
39	SOUTHWEST TEXAS	\$ 11,520,211	\$ 1,453,596	\$ 1,000,000	-	-	\$ 13,973,807
40	TARRANT COUNTY COLLEGE	\$ 99,880,244	\$ 11,700,058	\$ 1,000,000	-	-	\$ 112,580,302

Section 3a

Summary of 2016-17 Appropriations by Category of Funds - House

2016-17 General Revenue Appropriations								
	Contact Hour Formula	Success Points Formula	Core Operations	Special Items	90% Hold Harmless	B.A.T.	TOTAL	
41	TEMPLE JUNIOR COLLEGE	\$ 12,915,807	\$ 1,376,321	\$ 1,000,000	-	-	\$ 15,292,128	
42	TEXARKANA COLLEGE	\$ 11,823,603	\$ 1,055,241	\$ 1,000,000	-	-	\$ 13,878,844	
43	TEXAS SOUTHMOST COLLEGE	\$ 8,146,651	\$ 1,507,442	\$ 1,000,000	-	1,670,429	\$ 12,324,522	
44	TRINITY VALLEY COLLEGE	\$ 19,130,791	\$ 2,156,735	\$ 1,000,000	-	-	\$ 22,287,526	
45	TYLER JUNIOR COLLEGE	\$ 29,117,384	\$ 3,194,531	\$ 1,000,000	-	-	\$ 33,311,915	
46	VERNON COLLEGE	\$ 9,310,211	\$ 877,019	\$ 1,000,000	-	-	\$ 11,187,230	
47	VICTORIA COLLEGE, THE	\$ 9,536,542	\$ 1,035,451	\$ 1,000,000	-	-	\$ 11,571,993	
48	WEATHERFORD COLLEGE	\$ 15,477,041	\$ 1,516,129	\$ 1,000,000	-	-	\$ 17,993,170	
49	WESTERN TEXAS COLLEGE	\$ 5,374,333	\$ 727,848	\$ 1,000,000	-	-	\$ 7,102,181	
50	WHARTON COLLEGE	\$ 15,111,253	\$ 2,112,899	\$ 1,000,000	-	-	\$ 18,224,152	
Total		\$ 1,522,515,612	\$ 169,168,401	\$ 50,000,000	\$ 30,788,631	\$ 3,963,138	\$ 2,142,624	\$ 1,778,578,406

Section 3b

2018-19 Recommendations Summary Compared to 2016-17 Base - House

		2016-17 Base	Recommendations for Fiscal Years 2018-19						Biennial Change	
		Total	CH Formula	Success Points	Core Operations	Special Items	B.A.T.	TOTAL	Dollars	Percent
1	ALAMO COMMUNITY COLLEGE	\$ 128,801,869	\$ 104,959,628	\$ 13,361,220	\$ 1,000,000	\$ 8,116,800	\$ -	\$ 127,437,648	\$ (1,364,221)	-1.06%
2	ALVIN COMMUNITY COLLEGE	\$ 14,410,321	\$ 12,759,562	\$ 1,308,996	\$ 1,000,000	-	-	\$ 15,068,558	\$ 658,237	4.57%
3	AMARILLO COLLEGE	\$ 27,587,556	\$ 22,856,301	\$ 2,543,001	\$ 1,000,000	-	-	\$ 26,399,302	\$ (1,188,254)	-4.31%
4	ANGELINA COLLEGE	\$ 14,770,841	\$ 12,274,489	\$ 1,149,540	\$ 1,000,000	-	-	\$ 14,424,029	\$ (346,812)	-2.35%
5	AUSTIN COMMUNITY COLLEGE	\$ 93,545,582	\$ 75,868,703	\$ 9,463,123	\$ 1,000,000	5,437,800	-	\$ 91,769,626	\$ (1,775,956)	-1.90%
6	BLINN COLLEGE	\$ 48,291,128	\$ 40,213,233	\$ 5,096,894	\$ 1,000,000	820,800	-	\$ 47,130,927	\$ (1,160,201)	-2.40%
7	BRAZOSPORT COLLEGE	\$ 11,485,391	\$ 8,205,454	\$ 929,892	\$ 1,000,000	912,000	419,054	\$ 11,466,400	\$ (18,991)	-0.17%
8	CENTRAL TEXAS COLLEGE	\$ 37,087,538	\$ 28,201,805	\$ 3,567,652	\$ 1,000,000	-	-	\$ 32,769,457	\$ (4,318,081)	-11.64%
9	CISCO JUNIOR COLLEGE	\$ 10,359,056	\$ 7,701,293	\$ 1,038,255	\$ 1,000,000	-	-	\$ 9,739,548	\$ (619,508)	-5.98%
10	CLARENDON COLLEGE	\$ 5,137,581	\$ 3,814,623	\$ 418,026	\$ 1,000,000	-	-	\$ 5,232,649	\$ 95,068	1.85%
11	COASTAL BEND COLLEGE	\$ 12,842,846	\$ 12,145,154	\$ 1,070,792	\$ 1,000,000	-	-	\$ 14,215,946	\$ 1,373,100	10.69%
12	COLLEGE OF THE MAINLAND	\$ 11,676,363	\$ 9,670,522	\$ 977,786	\$ 1,000,000	-	-	\$ 11,648,308	\$ (28,055)	-0.24%
13	COLLIN COUNTY	\$ 67,489,460	\$ 61,642,030	\$ 6,839,065	\$ 1,000,000	-	-	\$ 69,481,095	\$ 1,991,635	2.95%
14	DALLAS COLLEGE	\$ 174,731,810	\$ 155,903,864	\$ 15,160,160	\$ 1,000,000	3,856,647	-	\$ 175,920,671	\$ 1,188,861	0.68%
15	DEL MAR COLLEGE	\$ 29,072,120	\$ 29,039,867	\$ 2,321,156	\$ 1,000,000	-	-	\$ 32,361,023	\$ 3,288,903	11.31%
16	EL PASO COLLEGE	\$ 64,226,607	\$ 54,660,462	\$ 7,939,292	\$ 1,000,000	-	-	\$ 63,599,754	\$ (626,853)	-0.98%
17	FRANK PHILLIPS COLLEGE	\$ 4,889,184	\$ 3,733,363	\$ 363,625	\$ 1,000,000	-	-	\$ 5,096,988	\$ 207,804	4.25%
18	GALVESTON COLLEGE	\$ 7,322,713	\$ 6,072,565	\$ 596,596	\$ 1,000,000	-	-	\$ 7,669,161	\$ 346,448	4.73%
19	GRAYSON COUNTY COLLEGE	\$ 15,156,775	\$ 11,489,312	\$ 1,270,965	\$ 1,000,000	638,400	-	\$ 14,398,677	\$ (758,098)	-5.00%
20	HILL COLLEGE	\$ 13,773,449	\$ 10,002,455	\$ 1,148,886	\$ 1,000,000	650,256	-	\$ 12,801,597	\$ (971,852)	-7.06%
21	HOUSTON COLLEGE	\$ 139,990,854	\$ 122,308,775	\$ 12,772,136	\$ 1,000,000	-	-	\$ 136,080,911	\$ (3,909,943)	-2.79%
22	HOWARD COLLEGE	\$ 20,100,378	\$ 10,154,784	\$ 980,721	\$ 1,000,000	6,652,806	-	\$ 18,788,311	\$ (1,312,067)	-6.53%
23	KILGORE COLLEGE	\$ 19,961,344	\$ 15,810,705	\$ 1,605,180	\$ 1,000,000	-	-	\$ 18,415,885	\$ (1,545,459)	-7.74%
24	LAREDO JUNIOR COLLEGE	\$ 20,650,995	\$ 16,787,734	\$ 2,074,911	\$ 1,000,000	297,188	-	\$ 20,159,833	\$ (491,162)	-2.38%
25	LEE COLLEGE	\$ 18,192,237	\$ 17,144,669	\$ 1,537,630	\$ 1,000,000	-	-	\$ 19,682,299	\$ 1,490,062	8.19%
26	LONE STAR COLLEGE	\$ 148,186,291	\$ 138,441,598	\$ 13,919,339	\$ 1,000,000	-	-	\$ 153,360,937	\$ 5,174,646	3.49%

Section 3b

2018-19 Recommendations Summary Compared to 2016-17 Base - House

		2016-17 Base	Recommendations for Fiscal Years 2018-19						Biennial Change	
		Total	CH Formula	Success Points	Core Operations	Special Items	B.A.T.	TOTAL	Dollars	Percent
27	MCLENNAN COLLEGE	\$ 24,221,612	\$ 21,114,591	\$ 2,154,410	\$ 1,000,000	-	-	\$ 24,269,001	\$ 47,389	0.20%
28	MIDLAND COLLEGE	\$ 15,996,692	\$ 13,419,879	\$ 1,225,658	\$ 1,000,000	648,113	146,070	\$ 16,439,720	\$ 443,028	2.77%
29	NAVARRO COLLEGE	\$ 30,532,745	\$ 24,504,885	\$ 2,760,312	\$ 1,000,000	-	-	\$ 28,265,197	\$ (2,267,548)	-7.43%
30	NORTH CENTRAL TEXAS	\$ 22,433,546	\$ 17,617,969	\$ 2,540,650	\$ 1,000,000	-	-	\$ 21,158,619	\$ (1,274,927)	-5.68%
31	NORTHEAST TEXAS COLLEGE	\$ 9,156,358	\$ 7,101,635	\$ 819,164	\$ 1,000,000	-	-	\$ 8,920,799	\$ (235,559)	-2.57%
32	ODESSA COLLEGE	\$ 15,226,858	\$ 13,772,756	\$ 1,167,415	\$ 1,000,000	-	-	\$ 15,940,171	\$ 713,313	4.68%
33	PANOLA COLLEGE	\$ 9,369,409	\$ 7,897,759	\$ 626,837	\$ 1,000,000	-	-	\$ 9,524,596	\$ 155,187	1.66%
34	PARIS JUNIOR COLLEGE	\$ 16,973,675	\$ 12,896,203	\$ 1,601,563	\$ 1,000,000	-	-	\$ 15,497,766	\$ (1,475,909)	-8.70%
35	RANGER JUNIOR COLLEGE	\$ 7,165,715	\$ 5,542,058	\$ 553,570	\$ 1,000,000	-	-	\$ 7,095,628	\$ (70,087)	-0.98%
36	SAN JACINTO COLLEGE	\$ 72,972,826	\$ 67,549,489	\$ 7,031,893	\$ 1,000,000	-	-	\$ 75,581,382	\$ 2,608,556	3.57%
37	SOUTH PLAINS COLLEGE	\$ 27,894,841	\$ 23,682,139	\$ 2,525,293	\$ 1,000,000	-	-	\$ 27,207,432	\$ (687,409)	-2.46%
38	SOUTH TEXAS COLLEGE	\$ 77,166,070	\$ 69,770,691	\$ 7,613,424	\$ 1,000,000	-	1,835,810	\$ 80,219,925	\$ 3,053,855	3.96%
39	SOUTHWEST TEXAS	\$ 13,973,807	\$ 11,988,197	\$ 1,430,575	\$ 1,000,000	-	-	\$ 14,418,772	\$ 444,965	3.18%
40	TARRANT COUNTY COLLEGE	\$ 112,580,302	\$ 96,294,302	\$ 12,027,101	\$ 1,000,000	-	-	\$ 109,321,403	\$ (3,258,899)	-2.89%
41	TEMPLE JUNIOR COLLEGE	\$ 15,292,128	\$ 11,805,641	\$ 1,367,629	\$ 1,000,000	-	-	\$ 14,173,270	\$ (1,118,858)	-7.32%
42	TEXARKANA COLLEGE	\$ 13,878,844	\$ 11,507,281	\$ 1,056,590	\$ 1,000,000	-	-	\$ 13,563,871	\$ (314,973)	-2.27%
43	TEXAS SOUTHMOST COLLEGE	\$ 12,324,522	\$ 7,922,329	\$ 1,127,812	\$ 1,000,000	-	-	\$ 10,050,141	\$ (2,274,381)	-18.45%
44	TRINITY VALLEY COLLEGE	\$ 22,287,526	\$ 19,129,893	\$ 2,132,946	\$ 1,000,000	-	-	\$ 22,262,839	\$ (24,687)	-0.11%
45	TYLER JUNIOR COLLEGE	\$ 33,311,915	\$ 28,450,230	\$ 3,116,742	\$ 1,000,000	-	-	\$ 32,566,972	\$ (744,943)	-2.24%
46	VERNON COLLEGE	\$ 11,187,230	\$ 8,815,728	\$ 891,277	\$ 1,000,000	-	-	\$ 10,707,005	\$ (480,225)	-4.29%
47	VICTORIA COLLEGE, THE	\$ 11,571,993	\$ 8,904,534	\$ 998,736	\$ 1,000,000	-	-	\$ 10,903,270	\$ (668,723)	-5.78%
48	WEATHERFORD COLLEGE	\$ 17,993,170	\$ 14,184,537	\$ 1,483,755	\$ 1,000,000	-	-	\$ 16,668,292	\$ (1,324,878)	-7.36%
49	WESTERN TEXAS COLLEGE	\$ 7,102,181	\$ 5,728,539	\$ 710,690	\$ 1,000,000	-	-	\$ 7,439,229	\$ 337,048	4.75%
50	WHARTON COLLEGE	\$ 18,224,152	\$ 15,171,588	\$ 2,096,208	\$ 1,000,000	-	-	\$ 18,267,796	\$ 43,644	0.24%
		\$ 1,778,578,406	\$ 1,516,635,803	\$ 168,515,089	\$ 50,000,000	\$ 28,030,809	\$ 2,400,934	\$ 1,765,582,635	\$ (12,995,771)	-0.73%

Section 3c

2018-19 Formula Funding Compared to 2016-17 Formula Funding - House

Public Community/Junior Colleges	2016-17 Formula Funding	2018-19 Formula Funding	Biennial Change	
			Difference	Percent Change
Alamo Community College	\$ 119,901,869	\$ 119,320,848	\$ (581,021)	-0.5%
Alvin College	\$ 14,410,321	\$ 15,068,558	\$ 658,237	4.6%
Amarillo College	\$ 27,587,556	\$ 26,399,302	\$ (1,188,254)	-4.3%
Angelina College	\$ 14,770,841	\$ 14,424,029	\$ (346,812)	-2.3%
Austin Community College	\$ 87,583,082	\$ 86,331,826	\$ (1,251,256)	-1.4%
Blinn College	\$ 47,391,128	\$ 46,310,127	\$ (1,081,001)	-2.3%
Brazosport College	\$ 10,079,315	\$ 10,135,346	\$ 56,031	0.6%
Central Texas College	\$ 36,167,903	\$ 32,769,457	\$ (3,398,446)	-9.4%
Cisco Junior College	\$ 10,359,056	\$ 9,739,548	\$ (619,508)	-6.0%
Clarendon College	\$ 5,137,581	\$ 5,232,649	\$ 95,068	1.9%
Coastal Bend College	\$ 12,842,846	\$ 14,215,946	\$ 1,373,100	10.7%
College of the Mainland	\$ 11,676,363	\$ 11,648,308	\$ (28,055)	-0.2%
Collin County Community College	\$ 67,489,460	\$ 69,481,095	\$ 1,991,635	3.0%
Dallas County College	\$ 170,455,213	\$ 172,064,024	\$ 1,608,811	0.9%
Del Mar College	\$ 29,072,120	\$ 32,361,023	\$ 3,288,903	11.3%
El Paso Community College	\$ 64,226,607	\$ 63,599,754	\$ (626,853)	-1.0%
Frank Phillips College	\$ 4,889,184	\$ 5,096,988	\$ 207,804	4.3%
Galveston College	\$ 7,322,713	\$ 7,669,161	\$ 346,448	4.7%
Grayson County College	\$ 14,456,775	\$ 13,760,277	\$ (696,498)	-4.8%
Hill College	\$ 13,050,878	\$ 12,151,341	\$ (899,537)	-6.9%
Houston College	\$ 139,990,854	\$ 136,080,911	\$ (3,909,943)	-2.8%
Howard College	\$ 12,008,819	\$ 12,135,505	\$ 126,686	1.1%
Kilgore College	\$ 19,961,344	\$ 18,415,885	\$ (1,545,459)	-7.7%
Laredo College	\$ 20,319,855	\$ 19,862,645	\$ (457,210)	-2.3%
Lee College	\$ 18,192,237	\$ 19,682,299	\$ 1,490,062	8.2%
Lone Star College	\$ 148,186,291	\$ 153,360,937	\$ 5,174,646	3.5%
McLennan College	\$ 24,218,274	\$ 24,269,001	\$ 50,727	0.2%
Midland College	\$ 14,596,358	\$ 15,645,537	\$ 1,049,179	7.2%
Navarro College	\$ 30,532,745	\$ 28,265,197	\$ (2,267,548)	-7.4%
North Central Texas College	\$ 22,433,546	\$ 21,158,619	\$ (1,274,927)	-5.7%
Northeast Texas Community College	\$ 9,156,358	\$ 8,920,799	\$ (235,559)	-2.6%
Odessa College	\$ 15,226,858	\$ 15,940,171	\$ 713,313	4.7%
Panola College	\$ 9,369,409	\$ 9,524,596	\$ 155,187	1.7%
Paris Junior College	\$ 16,973,675	\$ 15,497,766	\$ (1,475,909)	-8.7%
Ranger College	\$ 7,165,715	\$ 7,095,628	\$ (70,087)	-1.0%
San Jacinto College	\$ 72,972,826	\$ 75,581,382	\$ 2,608,556	3.6%
South Plains College	\$ 27,894,841	\$ 27,207,432	\$ (687,409)	-2.5%
South Texas College	\$ 75,555,856	\$ 78,384,115	\$ 2,828,259	3.7%
Southwest Texas	\$ 13,973,807	\$ 14,418,772	\$ 444,965	3.2%
Tarrant County	\$ 112,580,302	\$ 109,321,403	\$ (3,258,899)	-2.9%
Temple Junior College	\$ 15,292,128	\$ 14,173,270	\$ (1,118,858)	-7.3%
Texarkana College	\$ 13,878,844	\$ 13,563,871	\$ (314,973)	-2.3%
Texas Southmost College	\$ 10,654,093	\$ 10,050,141	\$ (603,952)	-5.7%
Trinity Valley Community College	\$ 22,287,526	\$ 22,262,839	\$ (24,687)	-0.1%
Tyler Junior College	\$ 33,311,915	\$ 32,566,972	\$ (744,943)	-2.2%
Vernon College	\$ 11,187,230	\$ 10,707,005	\$ (480,225)	-4.3%
Victoria College	\$ 11,571,993	\$ 10,903,270	\$ (668,723)	-5.8%
Weatherford College	\$ 17,993,170	\$ 16,668,292	\$ (1,324,878)	-7.4%
Western Texas College	\$ 7,102,181	\$ 7,439,229	\$ 337,048	4.7%
Wharton College	\$ 18,224,152	\$ 18,267,796	\$ 43,644	0.2%
Total	\$ 1,741,684,013	\$ 1,735,150,892	\$ (6,533,121)	-0.4%

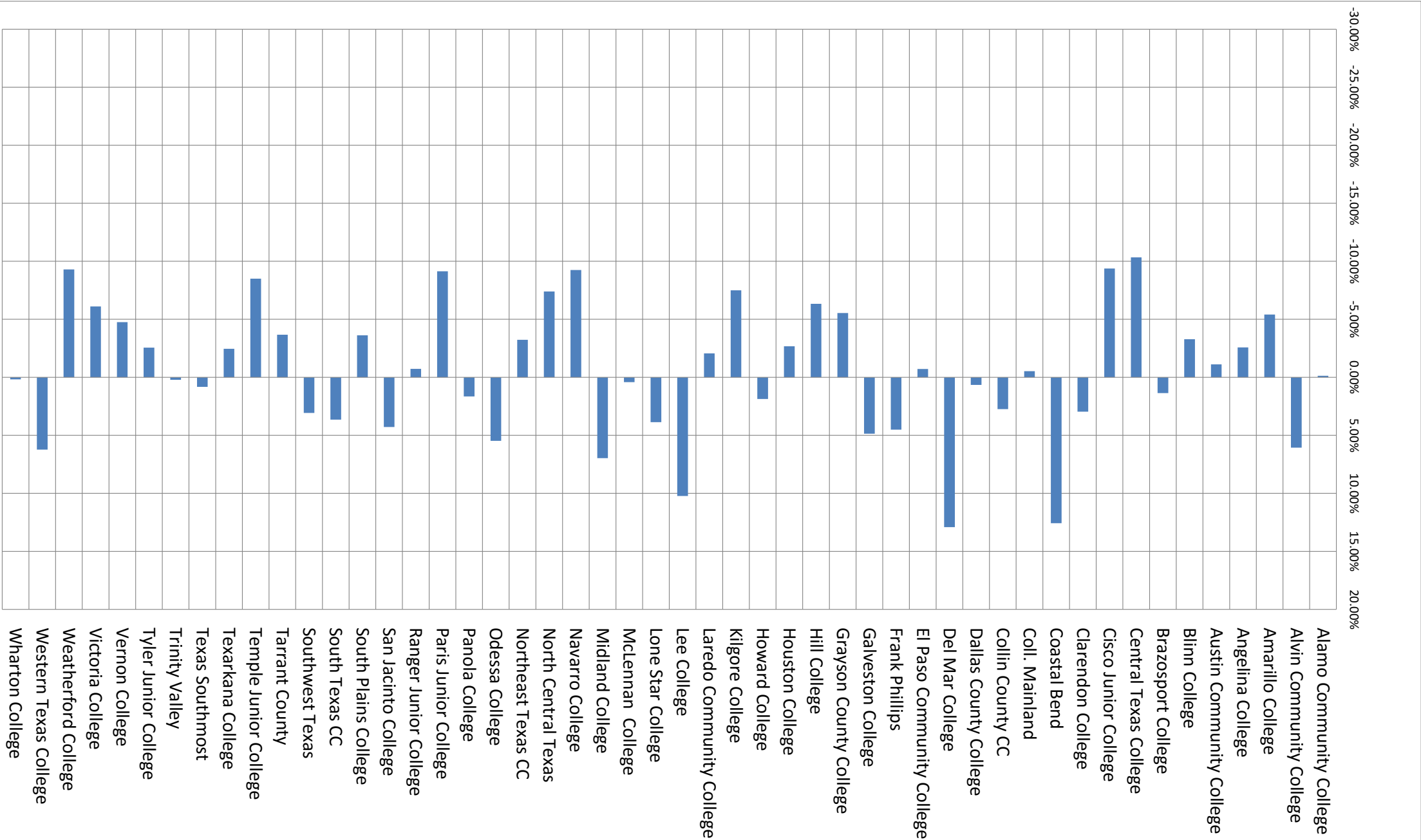
Section 3d

SUMMARY OF BASE PERIOD CONTACT HOURS - House					
	2016-17 Base	2018-19 Intro*	Difference	% Change from 2016-17	
1	Alamo Community College	19,914,819	19,889,443	(25,376)	-0.13%
2	Alvin Community College	2,191,992	2,324,853	132,861	6.06%
3	Amarillo College	4,255,534	4,025,143	(230,391)	-5.41%
4	Angelina College	2,203,979	2,147,190	(56,789)	-2.58%
5	Austin Community College	14,457,219	14,295,125	(162,094)	-1.12%
6	Blinn College	7,964,123	7,702,869	(261,254)	-3.28%
7	Brazosport College	1,530,863	1,551,706	20,843	1.36%
8	Central Texas College	5,871,955	5,264,812	(607,143)	-10.34%
9	Cisco Junior College	1,526,894	1,383,708	(143,186)	-9.38%
10	Clarendon College	667,122	686,850	19,728	2.96%
11	Coastal Bend	1,903,416	2,142,766	239,350	12.57%
12	Coll. Mainland	1,779,207	1,769,755	(9,452)	-0.53%
13	Collin County CC	11,393,363	11,705,650	312,287	2.74%
14	Dallas County College	29,033,166	29,223,274	190,108	0.65%
15	Del Mar College	4,588,257	5,180,615	592,358	12.91%
16	El Paso Community College	10,371,750	10,297,649	(74,101)	-0.71%
17	Frank Phillips	669,634	699,854	30,220	4.51%
18	Galveston College	988,420	1,036,470	48,050	4.86%
19	Grayson County College	2,150,092	2,031,011	(119,081)	-5.54%
20	Hill College	2,012,996	1,885,445	(127,551)	-6.34%
21	Houston College	23,946,366	23,304,832	(641,534)	-2.68%
22	Howard College	1,789,528	1,822,850	33,322	1.86%
23	Kilgore College	3,086,251	2,854,761	(231,490)	-7.50%
24	Laredo Community College	3,148,115	3,083,122	(64,993)	-2.06%
25	Lee College	2,878,989	3,173,425	294,436	10.23%
26	Lone Star College	25,178,499	26,152,017	973,518	3.87%
27	McLennan College	3,790,198	3,805,994	15,796	0.42%
28	Midland College	2,302,170	2,462,441	160,271	6.96%
29	Navarro College	4,872,998	4,422,409	(450,589)	-9.25%
30	North Central Texas	3,541,147	3,279,303	(261,844)	-7.39%
31	Northeast Texas CC	1,323,939	1,281,134	(42,805)	-3.23%
32	Odessa College	2,372,528	2,502,457	129,929	5.48%
33	Panola College	1,338,265	1,360,316	22,051	1.65%
34	Paris Junior College	2,619,222	2,379,854	(239,368)	-9.14%
35	Ranger Junior College	1,026,821	1,019,337	(7,484)	-0.73%
36	San Jacinto College	11,905,556	12,415,436	509,880	4.28%
37	South Plains College	4,503,294	4,340,343	(162,951)	-3.62%
38	South Texas CC	12,389,139	12,840,830	451,691	3.65%
39	Southwest Texas	2,162,248	2,228,541	66,293	3.07%
40	Tarrant County	18,887,174	18,194,063	(693,111)	-3.67%
41	Temple Junior College	2,306,493	2,110,468	(196,025)	-8.50%
42	Texarkana College	2,122,093	2,069,850	(52,243)	-2.46%
43	Texas Southmost	1,467,758	1,479,866	12,108	0.82%
44	Trinity Valley	3,470,927	3,478,587	7,660	0.22%
45	Tyler Junior College	5,203,292	5,070,375	(132,917)	-2.55%
46	Vernon College	1,583,667	1,508,419	(75,248)	-4.75%
47	Victoria College	1,666,469	1,564,752	(101,717)	-6.10%
48	Weatherford College	2,727,621	2,473,900	(253,721)	-9.30%
49	Western Texas College	1,028,546	1,092,612	64,066	6.23%
50	Wharton College	2,805,257	2,810,282	5,025	0.18%

* Does not include BAT SCH				
Number of Districts Contracting:				
Number of Districts Growing:				
Number of Districts Contracting > 5%:				
Number of Districts Contracting > 10%:				
Number of Districts Growing > 5%:				
Number of Districts Growing > 10%:				
272312173				

Section 3e

Contact Hour Change (by District): Comparing 2016-17 Base Period to
2018-19 Base Period - House



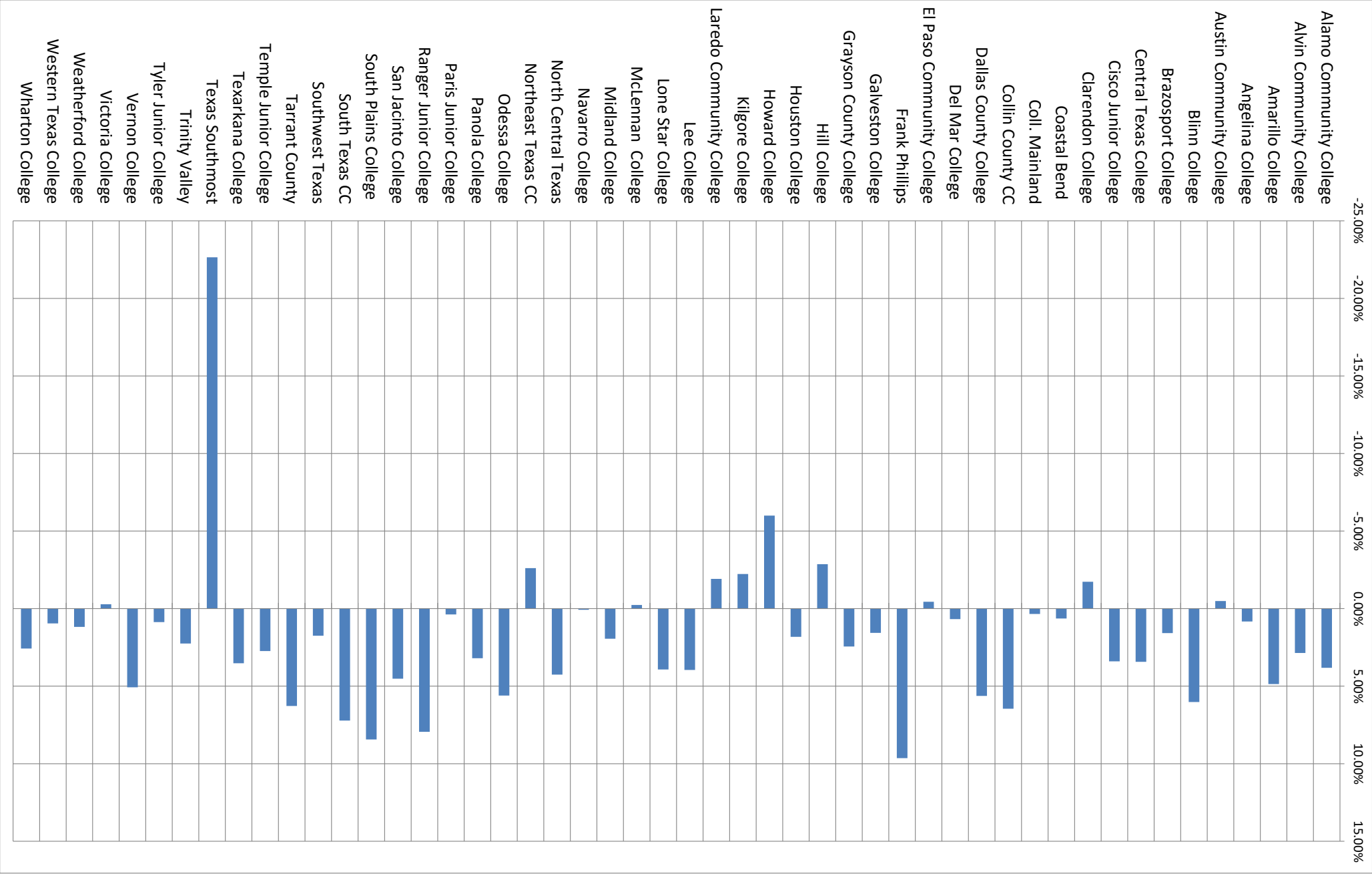
Section 3f

SUMMARY OF BASE PERIOD SUCCESS POINTS - House				
	2016-17 Base	2018-19 Intro*	Difference	% Change from 2016-17
1 Alamo Community College	77,101	80,043	2,942	3.82%
2 Alvin Community College	7,624	7,842	218	2.86%
3 Amarillo College	14,527	15,234	707	4.87%
4 Angelina College	6,830	6,887	57	0.83%
5 Austin Community College	56,968	56,690	(277)	-0.49%
6 Blinn College	28,800	30,534	1,734	6.02%
7 Brazosport College	5,484	5,571	87	1.58%
8 Central Texas College	20,664	21,373	708	3.43%
9 Cisco Junior College	6,015	6,220	205	3.40%
10 Clarendon College	2,548	2,504	(44)	-1.73%
11 Coastal Bend	6,374	6,415	41	0.64%
12 Coll. Mainland	5,837	5,858	20	0.35%
13 Collin County CC	38,485	40,971	2,485	6.46%
14 Dallas County College	85,981	90,819	4,839	5.63%
15 Del Mar College	13,812	13,905	93	0.68%
16 El Paso Community College	47,772	47,562	(211)	-0.44%
17 Frank Phillips	1,987	2,178	192	9.64%
18 Galveston College	3,519	3,574	55	1.57%
19 Grayson County College	7,432	7,614	182	2.44%
20 Hill College	7,086	6,883	(203)	-2.87%
21 Houston College	75,145	76,514	1,368	1.82%
22 Howard College	6,250	5,875	(375)	-5.99%
23 Kilgore College	9,835	9,616	(219)	-2.23%
24 Laredo Community College	12,673	12,430	(243)	-1.92%
25 Lee College	8,861	9,211	350	3.95%
26 Lone Star College	80,237	83,386	3,149	3.92%
27 McLennan College	12,936	12,906	(30)	-0.23%
28 Midland College	7,202	7,343	140	1.94%
29 Navarro College	16,524	16,536	12	0.07%
30 North Central Texas	14,599	15,220	622	4.26%
31 Northeast Texas CC	5,039	4,907	(131)	-2.61%
32 Odessa College	6,622	6,994	371	5.61%
33 Panola College	3,639	3,755	117	3.20%
34 Paris Junior College	9,559	9,594	36	0.37%
35 Ranger Junior College	3,072	3,316	244	7.94%
36 San Jacinto College	40,304	42,126	1,822	4.52%
37 South Plains College	13,951	15,128	1,177	8.44%
38 South Texas CC	42,538	45,609	3,071	7.22%
39 Southwest Texas	8,423	8,570	148	1.75%
40 Tarrant County	67,793	72,050	4,257	6.28%
41 Temple Junior College	7,975	8,193	218	2.74%
42 Texarkana College	6,114	6,330	215	3.52%
43 Texas Southmost	8,735	6,756	(1,978)	-22.65%
44 Trinity Valley	12,497	12,778	281	2.25%
45 Tyler Junior College	18,510	18,671	161	0.87%
46 Vernon College	5,082	5,339	258	5.07%
47 Victoria College	6,000	5,983	(17)	-0.28%
48 Weatherford College	8,785	8,889	104	1.18%
49 Western Texas College	4,217	4,258	40	0.95%
50 Wharton College	12,243	12,558	315	2.57%
TOTAL - JUCOs:				
	980,204	1,009,516	29,312	3.0%

- Number of Districts Contracting: 11
- Number of Districts Growing: 39
- Number of Districts Contracting > 5%: 2
- Number of Districts Contracting > 10%: 1
- Number of Districts Contracting > 15%: 1
- Number of Districts Growing > 5%: 10
- Number of Districts Growing > 10%: 0
- Number of Districts Growing > 15%: 0

Section 3g

Success Point Change (by District): Comparing 2016-17 Base Period to
2018-19 Base Period - House



**Public Community/Junior Colleges
Rider Highlights - House**

Deleted Riders

10. **Regional Import/Export Training Center.** Recommendations delete rider as the special item is no longer considered revenue contingent.
25. **Del Mar College – Maritime Museum.** The special item was vetoed by the Governor, 84th Legislature, Regular Session.
26. **Howard College – SWCID Central Plant and HVAC Upgrades.** The community college did not request further funding for this special item.

**Public Community/Junior Colleges
Items Not Included in Recommendations - House**

Section 5

	2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Austin Community College - Virtual College of Texas	\$84,700	\$84,700	NA	N	N	\$84,700
2)	Austin Community College - TX Innovative Adult Career Education	\$440,000	\$440,000	NA	N	N	\$440,000
3)	Blinn College - Star of Republic Museum	\$36,000	\$36,000	NA	N	N	\$36,000
4)	Clarendon College - Accelerated Developmental Education	\$180,000	\$180,000	NA	N	N	\$180,000
5)	Dallas County Community College - Small Business Development Center	\$363,419	\$363,419	NA	N	N	\$363,419
6)	Dallas County Community College - Starlink	\$56,532	\$56,532	NA	N	N	\$56,532
7)	Grayson College - TV Munson Viticulture & Enology Center	\$28,000	\$28,000	NA	N	N	\$28,000
8)	Hill College - Texas Heritage Museum	\$62,744	\$62,744	NA	N	N	\$62,744
9)	Houston Community College - Proactive (Case-Managed) Advising	\$1,697,040	\$1,697,040	NA	N	N	\$1,697,040
10)	Houston Community College - Four Year Onsite Completion Program (2x2)	\$2,100,000	\$2,100,000	NA	N	N	\$2,100,000
11)	Houston Community College - Veteran Academy	\$1,026,438	\$1,026,438	NA	N	N	\$1,026,438
12)	Houston Community College - Port Academy	\$1,878,600	\$1,878,600	NA	N	N	\$1,878,600
13)	Houston Community College - New Campus Expansion	\$6,666,808	\$6,666,808	NA	N	N	\$6,666,808
14)	Laredo Community College - Import/Export Training Center	\$13,246	\$13,246	NA	N	N	\$13,246
15)	Lee College - Prison Higher Education	\$744,000	\$744,000	NA	N	N	\$744,000

Public Community/Junior Colleges
Items Not Included in Recommendations - House

Section 5

		2018-19 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
		GR & GR-D	All Funds	FTEs			
16)	Midland College - Permian Basin Petroleum Museum	\$68,222	\$68,222	NA	N	N	\$68,222
17)	Texas Southmost College - Border Security Initiative	\$1,355,000	\$1,355,000	NA	N	N	\$1,355,000
TOTAL Items Not Included in Recommendations		\$16,800,749	\$16,800,749	NA			\$16,800,749

Public Community/Junior Colleges

Appendices

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E	Summary of Ten Percent Biennial Base Reduction Options	31

* Information is included in the presentation section of the packet

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
CORE OPERATIONS A.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS A.1.2	\$13,306,406	\$12,873,918	(\$432,488)	(3.3%)
CONTACT HOUR FUNDING A.1.3	\$105,595,463	\$104,959,628	(\$635,835)	(0.6%)
VETERAN'S ASSISTANCE CENTERS A.2.1	\$8,900,000	\$8,116,800	(\$783,200)	(8.8%)
Total, Goal A, ALAMO COMMUNITY COLLEGE	\$128,801,869	\$126,950,346	(\$1,851,523)	(1.4%)
CORE OPERATIONS B.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS B.1.2	\$1,315,758	\$1,259,516	(\$56,242)	(4.3%)
CONTACT HOUR FUNDING B.1.3	\$12,094,563	\$12,759,562	\$664,999	5.5%
Total, Goal B, ALVIN COMMUNITY COLLEGE	\$14,410,321	\$15,019,078	\$608,757	4.2%
CORE OPERATIONS C.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS C.1.2	\$2,507,111	\$2,434,742	(\$72,369)	(2.9%)
CONTACT HOUR FUNDING C.1.3	\$24,080,445	\$22,856,301	(\$1,224,144)	(5.1%)
Total, Goal C, AMARILLO COLLEGE	\$27,587,556	\$26,291,043	(\$1,296,513)	(4.7%)
CORE OPERATIONS D.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS D.1.2	\$1,178,711	\$1,139,149	(\$39,562)	(3.4%)
CONTACT HOUR FUNDING D.1.3	\$12,592,130	\$12,274,489	(\$317,641)	(2.5%)
Total, Goal D, ANGELINA COLLEGE	\$14,770,841	\$14,413,638	(\$357,203)	(2.4%)
CORE OPERATIONS E.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS E.1.2	\$9,831,755	\$10,613,604	\$781,849	8.0%
CONTACT HOUR FUNDING E.1.3	\$76,751,327	\$75,868,703	(\$882,624)	(1.1%)
VIRTUAL COLLEGE OF TEXAS E.2.1	\$962,500	\$877,800	(\$84,700)	(8.8%)
TX INNOVATIVE ADULT CAREER ED GRANT E.2.2	\$5,000,000	\$4,560,000	(\$440,000)	(8.8%)
Total, Goal E, AUSTIN COMMUNITY COLLEGE	\$93,545,582	\$92,920,107	(\$625,475)	(0.7%)

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
CORE OPERATIONS F.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS F.1.2	\$4,970,357	\$5,112,872	\$142,515	2.9%
CONTACT HOUR FUNDING F.1.3	\$41,420,771	\$40,213,233	(\$1,207,538)	(2.9%)
STAR OF THE REPUBLIC MUSEUM F.2.1	\$900,000	\$820,800	(\$79,200)	(8.8%)
Total, Goal F, BLINN COLLEGE	\$48,291,128	\$47,146,905	(\$1,144,223)	(2.4%)
BACHELOR OF APPLIED TECHNOLOGY G.1.1	\$406,076	\$419,054	\$12,978	3.2%
CORE OPERATIONS G.1.2	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS G.1.3	\$946,441	\$853,834	(\$92,607)	(9.8%)
CONTACT HOUR FUNDING G.1.4	\$8,132,874	\$8,205,454	\$72,580	0.9%
FOUR-YEAR DEGREE PROGRAM G.2.1	\$1,000,000	\$912,000	(\$88,000)	(8.8%)
Total, Goal G, BRAZOSPORT COLLEGE	\$11,485,391	\$11,390,342	(\$95,049)	(0.8%)
CORE OPERATIONS H.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS H.1.2	\$3,566,336	\$3,557,640	(\$8,696)	(0.2%)
CONTACT HOUR FUNDING H.1.3	\$31,601,567	\$28,201,805	(\$3,399,762)	(10.8%)
FORMULA HOLD HARMLESS H.1.4	\$919,635	\$0	(\$919,635)	(100.0%)
Total, Goal H, CENTRAL TEXAS COLLEGE	\$37,087,538	\$32,759,445	(\$4,328,093)	(11.7%)
CORE OPERATIONS I.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS I.1.2	\$1,038,127	\$1,053,993	\$15,866	1.5%
CONTACT HOUR FUNDING I.1.3	\$8,320,929	\$7,701,293	(\$619,636)	(7.4%)
Total, Goal I, CISCO JUNIOR COLLEGE	\$10,359,056	\$9,755,286	(\$603,770)	(5.8%)
CORE OPERATIONS J.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS J.1.2	\$439,818	\$405,736	(\$34,082)	(7.7%)
CONTACT HOUR FUNDING J.1.3	\$3,697,763	\$3,814,625	\$116,862	3.2%

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
Total, Goal J, CLARENDON COLLEGE	\$5,137,581	\$5,220,361	\$82,780	1.6%
CORE OPERATIONS K.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS K.1.2	\$1,100,084	\$1,053,235	(\$46,849)	(4.3%)
CONTACT HOUR FUNDING K.1.3	\$10,742,762	\$12,145,154	\$1,402,392	13.1%
Total, Goal K, COASTAL BEND COLLEGE	\$12,842,846	\$14,198,389	\$1,355,543	10.6%
CORE OPERATIONS L.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS L.1.2	\$1,007,421	\$964,125	(\$43,296)	(4.3%)
CONTACT HOUR FUNDING L.1.3	\$9,668,942	\$9,670,522	\$1,580	0.0%
Total, Goal L, COLLEGE OF THE MAINLAND	\$11,676,363	\$11,634,647	(\$41,716)	(0.4%)
CORE OPERATIONS M.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS M.1.2	\$6,641,985	\$7,256,557	\$614,572	9.3%
CONTACT HOUR FUNDING M.1.3	\$59,847,475	\$61,642,030	\$1,794,555	3.0%
Total, Goal M, COLLIN COUNTY COMMUNITY COLLEGE	\$67,489,460	\$69,898,587	\$2,409,127	3.6%
CORE OPERATIONS N.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS N.1.2	\$14,838,972	\$15,369,981	\$531,009	3.6%
CONTACT HOUR FUNDING N.1.3	\$154,616,241	\$155,903,866	\$1,287,625	0.8%
SMALL BUSINESS DEVELOPMENT CENTER N.2.1	\$3,634,189	\$3,270,770	(\$363,419)	(10.0%)
STARLINK N.2.2	\$642,408	\$585,876	(\$56,532)	(8.8%)
Total, Goal N, DALLAS COUNTY COMMUNITY COLLEGE	\$174,731,810	\$176,130,493	\$1,398,683	0.8%
CORE OPERATIONS O.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS O.1.2	\$2,383,742	\$2,200,943	(\$182,799)	(7.7%)
CONTACT HOUR FUNDING O.1.3	\$25,688,378	\$29,039,867	\$3,351,489	13.0%
Total, Goal O, DEL MAR COLLEGE	\$29,072,120	\$32,240,810	\$3,168,690	10.9%

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
CORE OPERATIONS P.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS P.1.2	\$8,244,795	\$7,853,894	(\$390,901)	(4.7%)
CONTACT HOUR FUNDING P.1.3	\$54,981,812	\$54,660,462	(\$321,350)	(0.6%)
Total, Goal P, EL PASO COMMUNITY COLLEGE	\$64,226,607	\$63,514,356	(\$712,251)	(1.1%)
CORE OPERATIONS Q.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS Q.1.2	\$342,883	\$378,434	\$35,551	10.4%
CONTACT HOUR FUNDING Q.1.3	\$3,546,301	\$3,733,362	\$187,061	5.3%
Total, Goal Q, FRANK PHILLIPS COLLEGE	\$4,889,184	\$5,111,796	\$222,612	4.6%
CORE OPERATIONS R.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS R.1.2	\$607,312	\$548,638	(\$58,674)	(9.7%)
CONTACT HOUR FUNDING R.1.3	\$5,715,401	\$6,072,565	\$357,164	6.2%
Total, Goal R, GALVESTON COLLEGE	\$7,322,713	\$7,621,203	\$298,490	4.1%
CORE OPERATIONS S.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS S.1.2	\$1,282,708	\$1,241,477	(\$41,231)	(3.2%)
CONTACT HOUR FUNDING S.1.3	\$12,174,067	\$11,489,312	(\$684,755)	(5.6%)
TV MUNSON VITICULTURE&ENOLOGY CNTR S.2.1	\$700,000	\$638,400	(\$61,600)	(8.8%)
Total, Goal S, GRAYSON COUNTY COLLEGE	\$15,156,775	\$14,369,189	(\$787,586)	(5.2%)
CORE OPERATIONS T.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS T.1.2	\$1,222,893	\$1,144,945	(\$77,948)	(6.4%)
CONTACT HOUR FUNDING T.1.3	\$10,827,985	\$10,002,455	(\$825,530)	(7.6%)
FORMULA HOLD HARMLESS T.1.4	\$9,571	\$0	(\$9,571)	(100.0%)
HERITAGE MUSEUM/GENEALOGY CENTER T.2.1	\$713,000	\$650,256	(\$62,744)	(8.8%)
Total, Goal T, HILL COLLEGE	\$13,773,449	\$12,797,656	(\$975,793)	(7.1%)

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
CORE OPERATIONS U.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS U.1.2	\$12,968,945	\$13,066,602	\$97,657	0.8%
CONTACT HOUR FUNDING U.1.3	\$126,021,909	\$122,308,775	(\$3,713,134)	(2.9%)
Total, Goal U, HOUSTON COMMUNITY COLLEGE	\$139,990,854	\$136,375,377	(\$3,615,477)	(2.6%)
CORE OPERATIONS V.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS V.1.2	\$1,078,612	\$967,321	(\$111,291)	(10.3%)
CONTACT HOUR FUNDING V.1.3	\$9,930,207	\$10,154,784	\$224,577	2.3%
FORMULA HOLD HARMLESS V.1.4	\$796,815	\$0	(\$796,815)	(100.0%)
SOUTHWEST INSTITUTE FOR THE DEAF V.2.1	\$5,302,586	\$6,652,806	\$1,350,220	25.5%
CENTRAL PLANT AND HVAC UPGRADES V.2.2	\$1,992,158	\$0	(\$1,992,158)	(100.0%)
Total, Goal V, HOWARD COLLEGE	\$20,100,378	\$18,774,911	(\$1,325,467)	(6.6%)
CORE OPERATIONS W.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS W.1.2	\$1,697,415	\$1,464,063	(\$233,352)	(13.7%)
CONTACT HOUR FUNDING W.1.3	\$17,263,929	\$15,810,705	(\$1,453,224)	(8.4%)
Total, Goal W, KILGORE COLLEGE	\$19,961,344	\$18,274,768	(\$1,686,576)	(8.4%)
CORE OPERATIONS X.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS X.1.2	\$2,187,139	\$2,036,427	(\$150,712)	(6.9%)
CONTACT HOUR FUNDING X.1.3	\$17,132,716	\$16,787,734	(\$344,982)	(2.0%)
IMPORT/EXPORT TRNG CTR X.2.1	\$331,140	\$297,186	(\$33,954)	(10.3%)
Total, Goal X, LAREDO COMMUNITY COLLEGE	\$20,650,995	\$20,121,347	(\$529,648)	(2.6%)
CORE OPERATIONS Y.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS Y.1.2	\$1,529,274	\$1,364,985	(\$164,289)	(10.7%)
CONTACT HOUR FUNDING Y.1.3	\$15,662,963	\$17,144,669	\$1,481,706	9.5%

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
Total, Goal Y, LEE COLLEGE	\$18,192,237	\$19,509,654	\$1,317,417	7.2%
CORE OPERATIONS Z.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS Z.1.2	\$13,847,747	\$14,384,026	\$536,279	3.9%
CONTACT HOUR FUNDING Z.1.3	\$133,338,544	\$138,441,598	\$5,103,054	3.8%
Total, Goal Z, LONE STAR COLLEGE SYSTEM	\$148,186,291	\$153,825,624	\$5,639,333	3.8%
CORE OPERATIONS AA.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AA.1.2	\$2,232,557	\$2,041,953	(\$190,604)	(8.5%)
CONTACT HOUR FUNDING AA.1.3	\$20,985,717	\$21,114,591	\$128,874	0.6%
FORMULA HOLD HARMLESS AA.1.4	\$3,338	\$0	(\$3,338)	(100.0%)
Total, Goal AA, MCLENNAN COMMUNITY COLLEGE	\$24,221,612	\$24,156,544	(\$65,068)	(0.3%)
BACHELOR OF APPLIED TECHNOLOGY AB.1.1	\$126,334	\$146,070	\$19,736	15.6%
CORE OPERATIONS AB.1.2	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AB.1.3	\$1,243,028	\$1,209,462	(\$33,566)	(2.7%)
CONTACT HOUR FUNDING AB.1.4	\$12,353,330	\$13,419,879	\$1,066,549	8.6%
FORMULA HOLD HARMLESS AB.1.5	\$563,350	\$0	(\$563,350)	(100.0%)
AMERICAN AIRPOWER HERITAGE MUSEUM AB.2.1	\$0	\$0	\$0	0.0%
PERMIAN BASIN PETROLEUM MUSEUM AB.2.2	\$710,650	\$648,112	(\$62,538)	(8.8%)
Total, Goal AB, MIDLAND COLLEGE	\$15,996,692	\$16,423,523	\$426,831	2.7%
CORE OPERATIONS AC.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AC.1.2	\$2,851,806	\$2,637,285	(\$214,521)	(7.5%)
CONTACT HOUR FUNDING AC.1.3	\$26,680,939	\$24,504,885	(\$2,176,054)	(8.2%)
Total, Goal AC, NAVARRO COLLEGE	\$30,532,745	\$28,142,170	(\$2,390,575)	(7.8%)
CORE OPERATIONS AD.1.1	\$1,000,000	\$1,000,000	\$0	0.0%

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
STUDENT SUCCESS AD.1.2	\$2,519,480	\$2,610,959	\$91,479	3.6%
CONTACT HOUR FUNDING AD.1.3	\$18,914,066	\$17,617,969	(\$1,296,097)	(6.9%)
Total, Goal AD, NORTH CENTRAL TEXAS COLLEGE	\$22,433,546	\$21,228,928	(\$1,204,618)	(5.4%)
CORE OPERATIONS AE.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AE.1.2	\$869,597	\$766,890	(\$102,707)	(11.8%)
CONTACT HOUR FUNDING AE.1.3	\$7,286,761	\$7,101,635	(\$185,126)	(2.5%)
Total, Goal AE, NORTHEAST TEXAS COMMUNITY COLLEGE	\$9,156,358	\$8,868,525	(\$287,833)	(3.1%)
CORE OPERATIONS AF.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AF.1.2	\$1,142,914	\$1,120,515	(\$22,399)	(2.0%)
CONTACT HOUR FUNDING AF.1.3	\$13,083,944	\$13,772,756	\$688,812	5.3%
Total, Goal AF, ODESSA COLLEGE	\$15,226,858	\$15,893,271	\$666,413	4.4%
CORE OPERATIONS AG.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AG.1.2	\$627,979	\$591,920	(\$36,059)	(5.7%)
CONTACT HOUR FUNDING AG.1.3	\$7,741,430	\$7,897,759	\$156,329	2.0%
Total, Goal AG, PANOLA COLLEGE	\$9,369,409	\$9,489,679	\$120,270	1.3%
CORE OPERATIONS AH.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AH.1.2	\$1,649,695	\$1,557,182	(\$92,513)	(5.6%)
CONTACT HOUR FUNDING AH.1.3	\$14,323,980	\$12,896,203	(\$1,427,777)	(10.0%)
Total, Goal AH, PARIS JUNIOR COLLEGE	\$16,973,675	\$15,453,385	(\$1,520,290)	(9.0%)
CORE OPERATIONS AI.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AI.1.2	\$530,209	\$571,118	\$40,909	7.7%
CONTACT HOUR FUNDING AI.1.3	\$5,635,506	\$5,542,058	(\$93,448)	(1.7%)
Total, Goal AI, RANGER COLLEGE	\$7,165,715	\$7,113,176	(\$52,539)	(0.7%)

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
CORE OPERATIONS AJ.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AJ.1.2	\$6,955,859	\$6,659,058	(\$296,801)	(4.3%)
CONTACT HOUR FUNDING AJ.1.3	\$65,016,967	\$67,549,489	\$2,532,522	3.9%
Total, Goal AJ, SAN JACINTO COLLEGE	\$72,972,826	\$75,208,547	\$2,235,721	3.1%
CORE OPERATIONS AK.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AK.1.2	\$2,407,789	\$2,553,701	\$145,912	6.1%
CONTACT HOUR FUNDING AK.1.3	\$24,487,052	\$23,682,139	(\$804,913)	(3.3%)
Total, Goal AK, SOUTH PLAINS COLLEGE	\$27,894,841	\$27,235,840	(\$659,001)	(2.4%)
BACHELOR OF APPLIED TECHNOLOGY AL.1.1	\$1,610,214	\$1,835,810	\$225,596	14.0%
CORE OPERATIONS AL.1.2	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AL.1.3	\$7,341,471	\$7,263,328	(\$78,143)	(1.1%)
CONTACT HOUR FUNDING AL.1.4	\$67,214,385	\$69,770,691	\$2,556,306	3.8%
Total, Goal AL, SOUTH TEXAS COLLEGE	\$77,166,070	\$79,869,829	\$2,703,759	3.5%
CORE OPERATIONS AM.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AM.1.2	\$1,453,596	\$1,414,335	(\$39,261)	(2.7%)
CONTACT HOUR FUNDING AM.1.3	\$11,520,211	\$11,988,197	\$467,986	4.1%
Total, Goal AM, SOUTHWEST TEXAS JUNIOR COLLEGE	\$13,973,807	\$14,402,532	\$428,725	3.1%
CORE OPERATIONS AN.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AN.1.2	\$11,700,058	\$12,346,840	\$646,782	5.5%
CONTACT HOUR FUNDING AN.1.3	\$99,880,244	\$96,294,302	(\$3,585,942)	(3.6%)
Total, Goal AN, TARRANT COUNTY COLLEGE	\$112,580,302	\$109,641,142	(\$2,939,160)	(2.6%)
CORE OPERATIONS AO.1.1	\$1,000,000	\$1,000,000	\$0	0.0%

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
STUDENT SUCCESS AO.1.2	\$1,376,321	\$1,390,500	\$14,179	1.0%
CONTACT HOUR FUNDING AO.1.3	\$12,915,807	\$11,805,641	(\$1,110,166)	(8.6%)
Total, Goal AO, TEMPLE COLLEGE	\$15,292,128	\$14,196,141	(\$1,095,987)	(7.2%)
CORE OPERATIONS AP.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AP.1.2	\$1,055,241	\$978,751	(\$76,490)	(7.2%)
CONTACT HOUR FUNDING AP.1.3	\$11,823,603	\$11,507,281	(\$316,322)	(2.7%)
Total, Goal AP, TEXARKANA COLLEGE	\$13,878,844	\$13,486,032	(\$392,812)	(2.8%)
CORE OPERATIONS AQ.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AQ.1.2	\$1,507,442	\$1,104,913	(\$402,529)	(26.7%)
CONTACT HOUR FUNDING AQ.1.3	\$8,146,651	\$7,922,329	(\$224,322)	(2.8%)
FORMULA HOLD HARMLESS AQ.1.4	\$1,670,429	\$0	(\$1,670,429)	(100.0%)
Total, Goal AQ, TEXAS SOUTHMOST COLLEGE	\$12,324,522	\$10,027,242	(\$2,297,280)	(18.6%)
CORE OPERATIONS AR.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AR.1.2	\$2,156,735	\$1,953,005	(\$203,730)	(9.4%)
CONTACT HOUR FUNDING AR.1.3	\$19,130,791	\$19,129,893	(\$898)	(0.0%)
Total, Goal AR, TRINITY VALLEY COMMUNITY COLLEGE	\$22,287,526	\$22,082,898	(\$204,628)	(0.9%)
CORE OPERATIONS AS.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AS.1.2	\$3,194,531	\$2,997,627	(\$196,904)	(6.2%)
CONTACT HOUR FUNDING AS.1.3	\$29,117,384	\$28,450,230	(\$667,154)	(2.3%)
Total, Goal AS, TYLER JUNIOR COLLEGE	\$33,311,915	\$32,447,857	(\$864,058)	(2.6%)
CORE OPERATIONS AT.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AT.1.2	\$877,019	\$846,900	(\$30,119)	(3.4%)
CONTACT HOUR FUNDING AT.1.3	\$9,310,211	\$8,815,728	(\$494,483)	(5.3%)

Public Community/Junior Colleges
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change
Total, Goal AT, VERNON COLLEGE	\$11,187,230	\$10,662,628	(\$524,602)	(4.7%)
CORE OPERATIONS AU.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AU.1.2	\$1,035,451	\$989,260	(\$46,191)	(4.5%)
CONTACT HOUR FUNDING AU.1.3	\$9,536,542	\$8,904,534	(\$632,008)	(6.6%)
Total, Goal AU, VICTORIA COLLEGE	\$11,571,993	\$10,893,794	(\$678,199)	(5.9%)
CORE OPERATIONS AV.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AV.1.2	\$1,516,129	\$1,460,759	(\$55,370)	(3.7%)
CONTACT HOUR FUNDING AV.1.3	\$15,477,041	\$14,184,537	(\$1,292,504)	(8.4%)
Total, Goal AV, WEATHERFORD COLLEGE	\$17,993,170	\$16,645,296	(\$1,347,874)	(7.5%)
CORE OPERATIONS AW.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AW.1.2	\$727,848	\$719,112	(\$8,736)	(1.2%)
CONTACT HOUR FUNDING AW.1.3	\$5,374,333	\$5,728,539	\$354,206	6.6%
Total, Goal AW, WESTERN TEXAS COLLEGE	\$7,102,181	\$7,447,651	\$345,470	4.9%
CORE OPERATIONS AX.1.1	\$1,000,000	\$1,000,000	\$0	0.0%
STUDENT SUCCESS AX.1.2	\$2,112,899	\$2,129,059	\$16,160	0.8%
CONTACT HOUR FUNDING AX.1.3	\$15,111,253	\$15,171,588	\$60,335	0.4%
Total, Goal AX, WHARTON COUNTY JUNIOR COLLEGE	\$18,224,152	\$18,300,647	\$76,495	0.4%
Grand Total, All Strategies	\$1,778,578,406	\$1,765,582,635	(\$12,995,771)	(0.7%)

Appendix B

Student Success Points Data (Average 2013 through 2015) - House

	Developmental Education Completion			Credits Completed		Transfer	Completion of First College-Level Course			Earn a Degree/Certificate		Total Points	Percent of Total
	Math 1 Point	Reading 0.5 Point	Writing 0.5 Point	15 SCHs 1 Point	30 SCHs 1 Point	Transfer to 4-Year University (After completing 15 SCHs) 2 Points	Math 1 Point	Reading 0.5 Point	Writing 0.5 point	Non-critical Field 2 Points	Critical Field 2.25 Points		
Alamo	2,604.7	3,261.0	2,789.0	15,610.3	10,040.3	5,638.7	9,372.3	10,972.3	10,393.7	7,109.0	1,427.3	79,218.7	7.64%
Alvin	175.7	132.3	120.3	1,601.0	988.0	525.0	777.0	1,535.7	995.0	669.3	231.0	7,750.3	0.75%
Amarillo	462.7	314.0	373.0	2,916.0	1,767.0	1,073.3	1,639.0	2,853.0	1,852.0	1,160.3	571.7	14,982.0	1.44%
Angelina	207.7	133.0	179.3	1,544.7	864.7	529.3	447.7	1,218.0	1,232.7	347.3	305.3	7,009.7	0.68%
Austin	1,083.3	876.7	687.3	11,469.7	6,148.0	3,785.0	5,527.0	15,863.3	15,859.3	3,097.0	913.3	65,310.0	6.30%
Blinn	518.7	582.0	643.0	7,324.7	4,299.3	2,884.7	4,273.0	6,284.7	3,200.0	1,089.3	362.3	31,461.7	3.03%
Brazosport	130.3	73.0	71.7	1,271.7	761.3	418.0	384.0	814.7	658.3	525.0	146.0	5,254.0	0.51%
Central Texas	245.7	383.7	325.0	4,390.3	2,451.0	1,653.3	2,323.7	4,964.7	3,055.0	1,729.7	369.7	21,891.7	2.11%
Cisco	147.3	154.0	185.3	1,301.7	762.0	471.3	664.0	1,266.0	997.7	424.3	112.0	6,485.7	0.63%
Clarendon	68.7	70.3	53.7	515.7	295.3	202.7	279.0	419.7	353.0	180.3	58.3	2,496.7	0.24%
Coastal Bend	249.3	292.0	238.7	1,238.3	724.3	413.7	573.7	1,126.0	897.0	452.3	275.7	6,481.0	0.63%
College of the Mainland	128.0	108.3	90.3	1,215.3	689.3	400.0	470.7	1,191.7	974.7	492.0	172.3	5,932.7	0.57%
Collin	675.3	708.3	569.7	8,150.0	5,052.7	2,767.7	4,705.0	9,961.0	8,658.7	3,025.7	378.7	44,652.7	4.31%
Dallas	2,039.0	2,636.3	2,685.7	17,181.3	10,254.3	5,132.7	10,332.3	19,759.0	14,200.3	8,787.7	1,569.3	94,578.0	9.12%
Del Mar	206.0	164.0	103.3	2,748.0	1,821.0	842.3	1,537.3	2,319.7	2,053.3	1,382.7	365.7	13,543.3	1.31%
El Paso	1,350.0	2,299.7	2,029.3	8,025.7	5,557.0	3,039.3	5,261.7	8,347.0	6,686.0	5,163.7	569.0	48,328.3	4.66%
Frank Phillips	54.0	60.3	61.0	471.7	239.7	143.7	360.0	432.0	357.0	102.0	47.3	2,328.7	0.22%
Galveston	107.3	77.3	74.3	721.3	392.7	228.0	304.0	506.0	473.0	318.7	173.3	3,376.0	0.33%
Grayson	265.0	122.0	116.7	1,545.7	976.7	482.3	818.3	1,483.7	1,038.3	463.0	327.7	7,639.3	0.74%
Hill	148.7	138.0	141.3	1,463.7	830.0	520.0	874.7	1,235.0	1,094.0	514.3	85.7	7,045.3	0.68%
Houston	2,487.7	2,449.7	1,995.3	15,745.3	9,797.3	4,440.3	8,576.7	14,609.3	12,897.7	6,445.7	959.3	80,404.3	7.75%
Howard	137.3	110.3	114.0	1,184.0	625.3	520.3	698.0	1,198.7	859.7	348.0	156.7	5,952.3	0.57%
Kilgore	202.7	216.0	249.0	1,825.0	1,191.7	611.7	866.7	1,360.3	1,118.3	969.3	398.3	9,009.0	0.87%
Laredo	463.0	468.7	428.0	2,266.3	1,532.0	695.7	1,599.3	1,842.7	1,842.7	985.7	407.0	12,531.0	1.21%
Lee	150.3	196.3	203.0	1,994.3	1,229.7	401.0	592.0	929.3	1,162.7	1,076.3	464.3	8,399.3	0.81%
Lone Star	3,064.0	2,881.7	2,737.7	17,350.3	10,336.7	5,866.7	9,082.0	16,113.0	14,379.3	5,241.7	1,458.0	88,511.0	8.54%
McLennan	337.3	250.3	309.3	2,470.0	1,654.3	842.0	1,137.3	2,211.7	1,705.7	1,283.7	363.3	12,565.0	1.21%
Midland	190.3	102.7	102.3	1,538.3	824.7	558.3	715.0	1,423.7	1,251.0	553.3	182.7	7,442.3	0.72%
Navarro	519.7	528.0	491.3	3,198.3	2,030.7	1,183.3	1,656.7	2,401.3	2,343.3	1,352.7	523.0	16,228.3	1.57%
North Central	676.0	330.0	335.7	3,075.3	1,769.7	1,105.3	1,639.3	3,219.3	2,669.0	931.3	315.3	16,066.3	1.55%
Northeast Texas	158.3	134.7	145.7	985.0	662.0	321.3	563.7	633.0	553.3	408.7	153.3	4,719.0	0.46%
Odessa	238.7	142.7	121.0	1,489.7	872.7	469.7	677.0	1,100.3	1,018.7	542.3	222.3	6,895.0	0.66%
Panola	110.3	87.0	96.7	833.7	557.7	203.3	285.7	556.7	456.7	241.3	213.3	3,642.3	0.35%
Paris	385.0	284.7	312.3	1,828.3	1,176.0	674.0	1,073.0	1,563.7	1,289.7	722.3	273.0	9,582.0	0.92%
Ranger	91.7	93.0	103.3	788.3	419.7	252.3	357.3	662.7	525.7	134.0	86.3	3,514.3	0.34%
San Jacinto	1,133.0	1,061.7	934.7	8,227.0	5,579.7	2,465.3	4,946.0	7,021.0	4,481.7	3,894.7	1,231.3	40,976.0	3.95%

Appendix B

Student Success Points Data (Average 2013 through 2015) - House

	Developmental Education Completion			Credits Completed		Transfer	Completion of First College-Level Course			Earn a Degree/Certificate		Total PointsPercent of Total	
	Math 1 Point	Reading 0.5 Point	Writing 0.5 Point	15 SCHs 1 Point	30 SCHs 1 Point	Transfer to 4-Year University (After completing 15 SCHs) 2 Points	Math 1 Point	Reading 0.5 Point	Writing 0.5 point	Non-critical Field 2 Points	Critical Field 2.25 Points		
South Plains	359.3	332.7	338.3	3,123.7	1,944.3	1,260.0	1,678.3	2,862.7	2,635.0	944.3	235.3	15,714.0	1.52%
South Texas	1,326.0	1,436.7	1,459.0	9,285.3	5,486.0	3,084.0	5,643.7	6,099.7	5,997.3	3,073.7	1,803.0	44,694.3	4.31%
Southwest Texas	262.7	284.0	258.7	1,647.3	923.3	648.7	945.3	1,610.7	1,234.3	791.0	97.0	8,703.0	0.84%
Tarrant	1,908.7	2,176.3	1,882.0	14,650.3	8,913.7	4,782.7	7,880.3	14,686.0	12,437.3	5,757.7	900.3	75,975.3	7.33%
Temple	285.0	209.3	237.0	1,525.7	952.7	590.3	766.0	1,649.7	1,538.0	560.0	242.7	8,556.3	0.83%
Texarkana	110.7	122.7	143.0	1,310.7	782.3	370.7	479.0	1,001.7	802.0	616.0	284.0	6,022.7	0.58%
Texas Southmost	294.7	276.3	272.7	1,117.0	587.7	502.7	918.3	1,101.0	1,004.7	492.0	232.0	6,799.0	0.66%
Trinity Valley	443.7	228.0	222.0	2,460.0	1,393.7	804.7	1,286.7	1,928.3	1,491.3	1,235.7	523.7	12,017.7	1.16%
Tyler	348.0	669.7	562.3	3,587.7	2,318.3	1,264.0	1,894.3	2,910.7	2,686.7	1,514.7	689.3	18,445.7	1.78%
Vernon	132.0	96.0	108.7	1,065.3	702.3	359.7	508.7	797.7	829.7	319.3	292.0	5,211.3	0.50%
Victoria	208.3	155.0	139.7	1,171.0	760.0	355.7	647.0	1,117.3	905.3	345.0	283.0	6,087.3	0.59%
Weatherford	277.0	239.3	237.3	1,808.3	1,102.3	664.3	712.3	1,531.0	1,493.3	672.0	251.3	8,988.7	0.87%
Western Texas	135.0	98.3	102.3	803.0	382.0	287.3	793.0	729.3	737.3	271.3	86.0	4,425.0	0.43%
Wharton	321.0	227.3	197.7	2,428.3	1,574.7	902.7	1,788.7	2,225.7	2,402.0	843.7	189.3	13,101.0	1.26%
Statewide Total:	31,682.3	16,226.0	13,704.7	208,388.3	128,133.3	130,325.3	97,459.7	89,988.7	76,661.2	41,568.7	158,544.8	1,036,944.7	100%
Percent of all Success Points:	3.06%	1.56%	1.32%	20.10%	12.36%	12.57%	9.40%	8.68%	7.39%	4.01%	15.29%		

Term	Methodology
Developmental Education Completion	Only students who are not ready in math, reading, and/or writing as first time undergraduates can potentially qualify for student success points in this category. The time period for completing developmental work is the fiscal year being measured and the two previous years (three total). If a student successfully completes developmental work in the fiscal year being measured, then one point is awarded for math completion, 0.5 point for reading completion, and 0.5 point for writing completion.
Complete 15/30 Semester Credit Hours (SCHs)	If a student successfully completes at least 15 SHCs and/or 30 SCHs at the same institution during the fiscal year being measured, then one point is awarded for completion of 15 hours and one point is awarded for completion of 30 hours. The time period for this measure is the fiscal year being measured and the three previous years (four years total).
Transfer to a four-year institution with 15 SCHs	If a student has successfully completed at least 15 SCHs at the same institution and a record is found by the Coordinating Board at a Texas public/private four year institution in the fiscal year being measured, then two points are awarded. The time period for this measure is the fiscal year being measured and the three previous fiscal years.
Completion of First College-Level Course	If a student successfully completes the first college level math, reading, and/or writing course with a letter grade of "A", "B", or "C" in the fiscal year measured, then one point is awarded for completion of the math course, 0.5 point for the completion of the reading course, and 0.5 point for completion of the writing course.
Earn a Degree or Certificate	If a student earns a Bachelor's of Applied Technology, an Associate's degree, a Level 1 or Level 2 Certificate, an Advanced Technology Certificate, or completes the Core Curriculum during the fiscal year being measured, then two points are awarded. If a student completes a degree or certificate in a Critical Field (as defined by THECB) then 2.25 points are awarded.

Public Community/Junior Colleges
Summary of Ten Percent Biennial Base Reduction Options - House

Community College	Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
				GR & GR-D	All Funds	FTEs			
Alamo Community College	1	Veteran's Assistance Centers	The funding reduction would reportedly reduce the student support services offered.	\$854,400	\$854,400	NA	\$0	10%	Partial
Austin Community College	1	Virtual College of Texas	The funding reduction would reportedly limit distance education opportunities for Texas students in rural areas of the state.	\$92,400	\$92,400	NA	\$0	10%	Partial
	2	TX Innovative Adult Career Education	The number of low income students being funded in workforce intermediary programs would reportedly decline by approximately 150 students.	\$480,000	\$480,000	NA	\$0	10%	Partial
Blinn College	1	Star of the Republic Museum	The funding reduction would result in the elimination or reduction of educational and public awareness programs, elimination of positions, and a reduction in operating hours.	\$86,400	\$86,400	NA	\$13,000	10%	Partial
Brazosport College	1	Bachelor of Applied Technology	The funding reduction would result in the number of classes offered.	\$134,983	\$134,983	NA	\$0	10%	Partial
Dallas County College	1	Small Business Development Center	The funding reduction would reportedly cause a loss of entrepreneurial service, as well as elimination of business advisors and market research tools.	\$348,881	\$348,881	NA	\$0	10%	Partial
	2	Starlink	Professional development and communication services to faculty, staff and administrators across the state would be reduced.	\$61,672	\$61,672	NA	\$0	10%	Partial
Grayson College (TV Munson Viticulture & Enology Center)	1	Reduce Size of New Laboratory	The funding reduction would reduce the level of service and programs offered at the distillation science laboratory.	\$33,600	\$0	NA	\$0	5%	Partial
	2	Reduce Supplies in All Areas	The level of operating capacity would be reduced.	\$0	\$33,600	NA	\$0	5%	Partial
Hill College	1	Texas Heritage Museum	The funding reduction would cause a decrease in museum staff and to close the Historical Research Center. This would eliminate faculty and student access to the archived resources.	\$71,300	\$71,300	NA	\$10,000	10%	Partial
Howard College (SWCID)	1	Reduction in Student Services	The hiring of the Job Placement position would not be implemented.	\$75,600	\$75,900	NA	\$0	1%	Partial
	2	Increased Deferred Maintenance	The rehiring of a position in the Maintenance/Custodial department would not be implemented.	\$70,000	\$70,000	NA	\$0	1%	Partial

Public Community/Junior Colleges
Summary of Ten Percent Biennial Base Reduction Options - House

				Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
Community College	Priority	Item	Description/Impact	GR & GR-D	All Funds	FTEs			
	3	Increased Deferred Technology Replacement	The funding reduction would result in SWCID not replacing desktop computers in classrooms, labs, study areas, and study areas, as well as network equipment and support for the mainframe.	\$100,000	\$100,000	NA	\$0	1%	Partial
	4	Deferred Residence Halls Repairs and Maintenance	The residence halls would not be updated.	\$328,696	\$328,696	NA	\$0	5%	Partial
	5	Compression of Instructional Program Opportunities	Workforce programs that give the deaf and hard-of-hearing opportunities to participate in the workforce would be eliminated.	\$126,000	\$126,000	NA	\$0	2%	Partial
Laredo College	1	Import/Export Training Center	The funding reduction would cause the college to eliminate contracted services necessary for the operation of the Import/Export Center, as well as personnel costs.	\$31,789	\$31,789	NA	\$31,789	10%	Partial
Midland College	1	Permian Basin Petroleum Museum	The quantity of services provided would be reduced.	\$68,224	\$68,224	NA	\$0	85%	Partial
	2	Bachelor of Applied Technology	The funding reduction would reportedly result in the transfer of cost to local taxpayers.	\$12,128	\$12,128	NA	\$0	15%	Partial
South Texas College	1	Bachelor of Applied Technology	The funding reduction would reportedly result in tuition and fee increases.	\$154,581	\$154,581	NA	\$0	10%	Partial
TOTAL, 10% Reduction Options				\$2,276,254	\$2,276,554	NA	\$54,789		

Note: The ten percent biennial base reduction target is calculated on an institution's non-formula General Revenue appropriations. Institutions do not request formula General Revenue within the appropriations request.



**The Texas Association of Community Colleges
Community College Association of Texas Trustees**

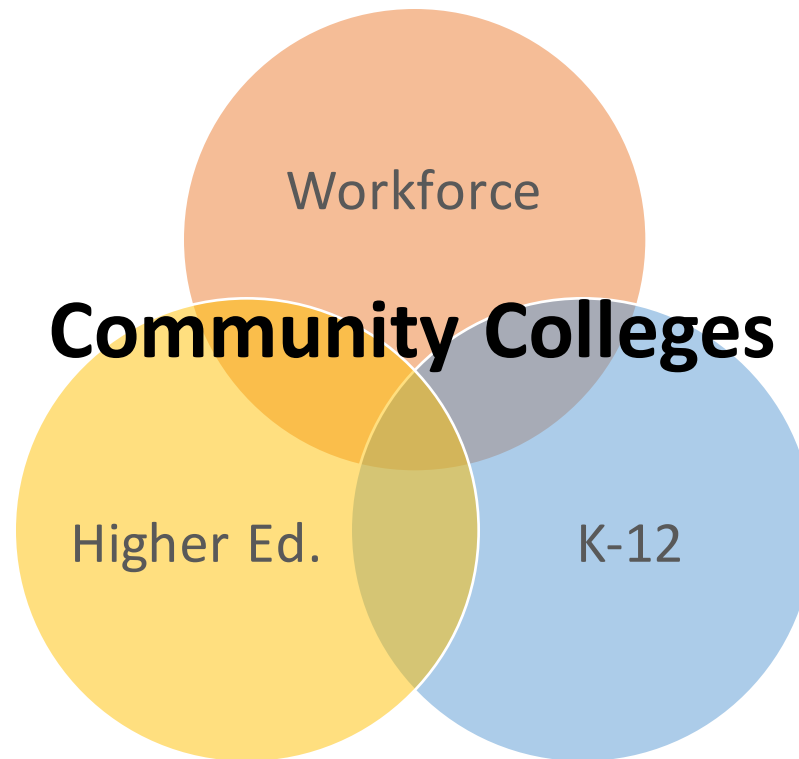
**TESTIMONY BY
JACOB FRAIRE, PRESIDENT & CEO**

**COMMITTEE ON APPROPRIATIONS
TEXAS HOUSE OF REPRESENTATIVES**

FEBRUARY 2017

Community Colleges: At the Intersection of Workforce and Education

- 93% of Dual Credit students
- 91% of Technical Education certificates & associate degrees awarded
- 35% of Bachelor Degree recipients earned 30 + community college credits



TEXAS COMMUNITY COLLEGES

- Texas Community Colleges serve students at scale, with measurable outcomes;
 - 700,000 students; 47% of total in higher education
 - 78% of Minority Freshman and Sophomore students
 - In 2015, we awarded 103,752 (40%) of all BACs;
- Texas Community Colleges are vital to achieving the state's goals in 60X30TX;
 - We awarded 91% of Technical Certificates and Associates Degrees
 - Third most affordable system of community colleges in the nation
 - Lowest Debt to First-Year Income among graduates
- Texas Community Colleges embrace Performance-based Funding
 - Student Success Points comprise 11 metrics, which measure student success along a continuum
 - The Student Success Point rate has decreased from original \$185 per point (83rd Session)
- How Texas Community Colleges intend to invest increases in state funding.
 - Dual Credit & Early College High Schools
 - Workforce Development
 - Advising & Student Support Services
 - Improved Campus Safety
 - Affordability
 - Innovations such as Guided Pathways and Mathways

The Funding Ask

Core Operations: \$75,000,000 (\$25 million increase from 2016-17)

- Supports basic operating costs
- \$500,000 per district per year level of funding was established by the 83rd Legislature
- Increasing the core by \$250,000 per district per year will help support all institutions, especially small and rural institutions

Student Success: \$186,881,648 (\$18 million increase from 2016-17)

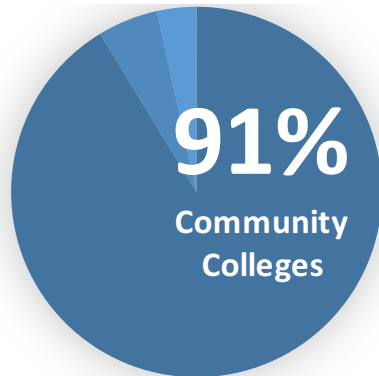
- Texas Community Colleges continue to advance programs and strategies that improve student success on multiple metrics
- In order for the Student Success Points system to effectively reward institutions for improvements in student success, the points need to be funded at a minimum of \$185 per point

Instruction: \$1,566,886,566 (\$44 million increase from 2016-17)

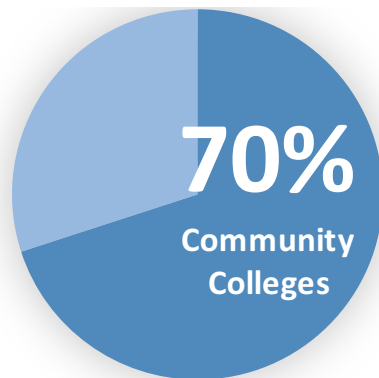
- Largest portion of state revenue
- Provides community colleges with funds for instruction
- Ability of community colleges to meet workforce skills demands, increase dual credit courses, and expand educational opportunities for all students is directly tied to instructional funding appropriated by the Legislature

BACKGROUND INFORMATION

Texas Community Colleges Serve the State at Scale



Fall 2015 Technical Enrollment



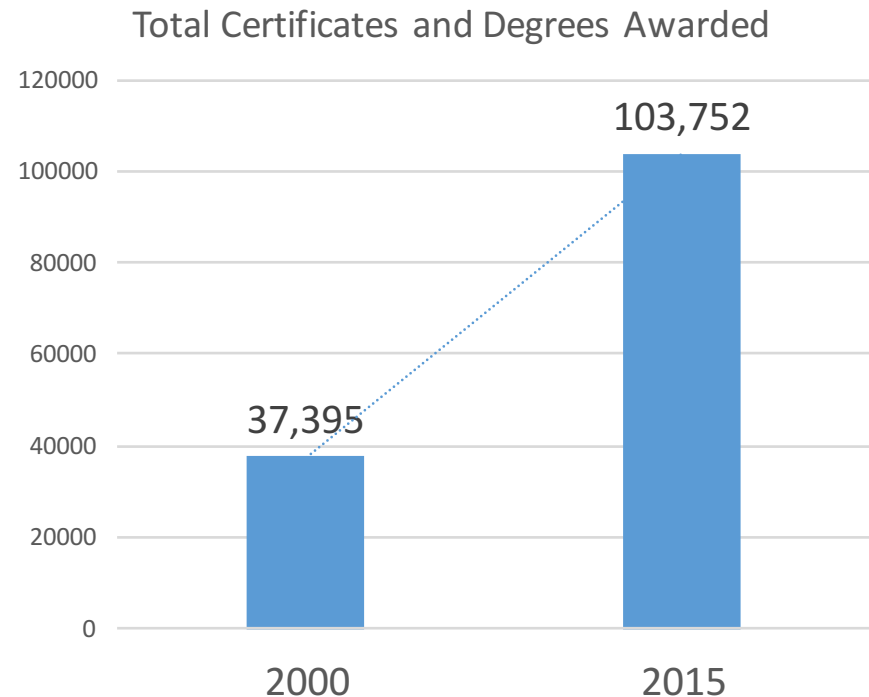
Freshmen & Sophomores in
Higher Education

Community colleges are the largest sector of Texas higher education

	Fall 2015 Enrollment	% of Enrollment
Community Colleges	700,892	47.1%
Academic	515,642	34.6%
Technical	184,476	12.4%
Bachelor of Applied Tech.	774	0.05%
Texas State Technical College	10,689	1.5%
Lamar State Colleges	6,966	1%
Public Universities	619,284	41.6%
Public Medical Institutions	23,523	1.6%
Private Institutions	128,280	8.5%

Completion Success at Community Colleges

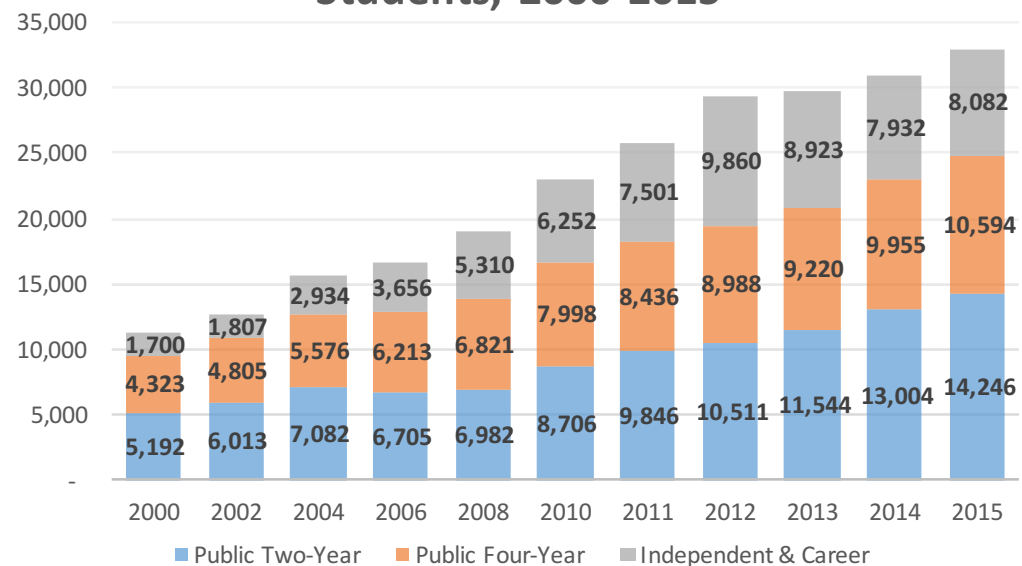
- Community colleges were instrumental in the state's meeting the Closing the Gaps (CTG) success goals
- Texas met and exceeded Closing the Gaps targets for Baccalaureate, Associate, and Certificates (BACs) awarded
 - Surpassed the 2015 goal in 2011
- Total Certificate and Degrees awarded at community colleges have increased **177%** since 2000
- Community colleges awarded **40%** of all BACs awarded in 2015
- Community colleges awarded **9,000** additional BACs from 2014 to 2015; a **9% increase**.



Completion Success at Community Colleges

- Community colleges conferred the most Baccalaureate, Associate, and Certificates (BACs) to African American students of any sector
 - **14,246** BACs awarded in 2015
 - **43.3%** of the total
- **174%** Increase between 2000 and 2015

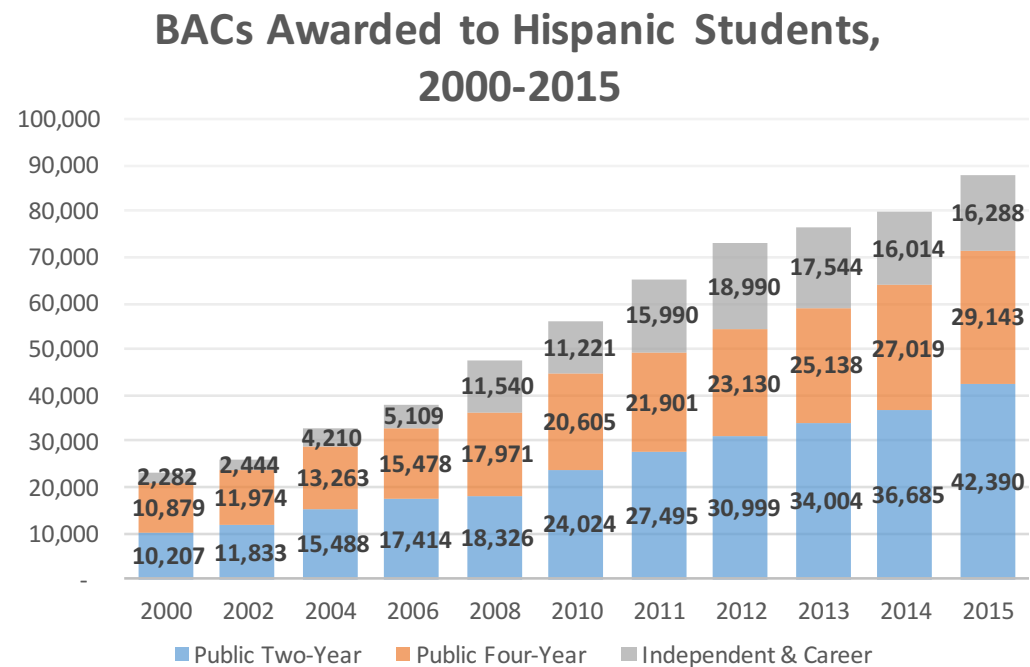
BACs Awarded to African American Students, 2000-2015



Source: THECB – Closing the Gaps, Final Progress Report, June 2016

Completion Success at Community Colleges

- Community colleges conferred the most Baccalaureate, Associate, and Certificates (BACs) to Hispanic students of any sector
 - **42,390** BACs awarded in 2015
 - **48%** of the total
 - **315%** Increase between 2000 and 2015



Source: THECB – Closing the Gaps, Final Progress Report, June 2016

MARKETABLE SKILLS

- Community colleges are primary providers of technical education.
 - Community Colleges awarded **91.5%** of all Technical Associates and Certificates in Texas public higher education.
- Across community colleges, **184,476** students are in technical programs (fall 2015).
 - Share of tech students varies widely across the colleges; some are closer to a 50/50 split between technical and academic programs.
 - **Panola College** and **Costal Bend College** are each at **55%** technical program enrollment.
 - **Angelina College, Brazosport College, College of the Mainland, Del Mar College, Grayson College, Kilgore College, Lee College, and Tyler Junior College** are each at or above **40%** technical program enrollment.

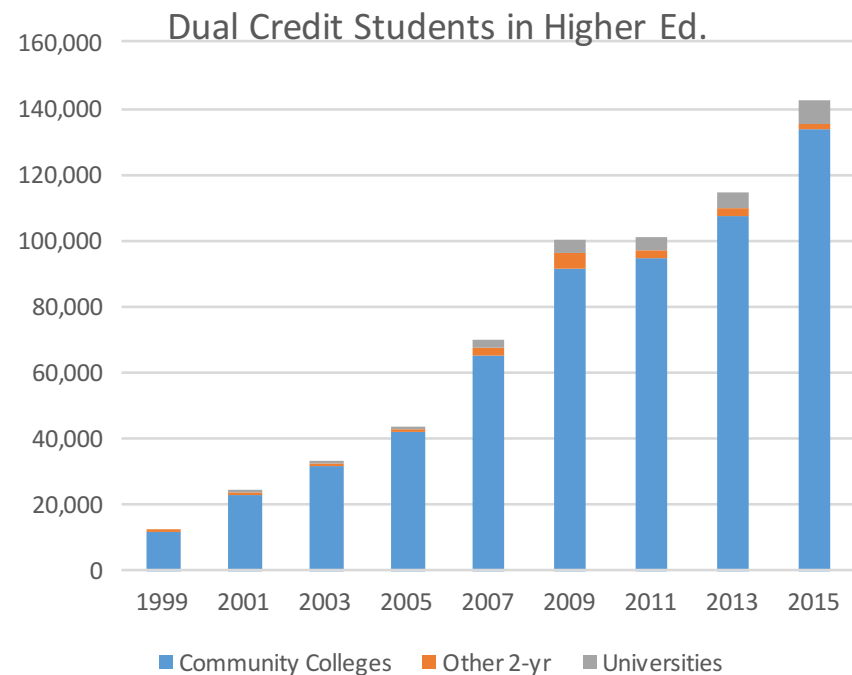
STUDENT DEBT

- The State's goal in **60x30TX** for student debt is the debt will not exceed **60%** of first-year wage for graduates.
- Texas Community Colleges Are Exceeding the 60X30TX Debt Goal
- Majority of community college graduates finish with zero loan debt, those who do carry relatively low debt loads.

Award	% With Debt	Average Debt	% of 1 st Year Wage
Certificate	29%	\$12,546	33%
Associate's	36%	\$15,426	41%
Bachelor's (Public 4-Year Institutions)	62%	\$30,136	71%

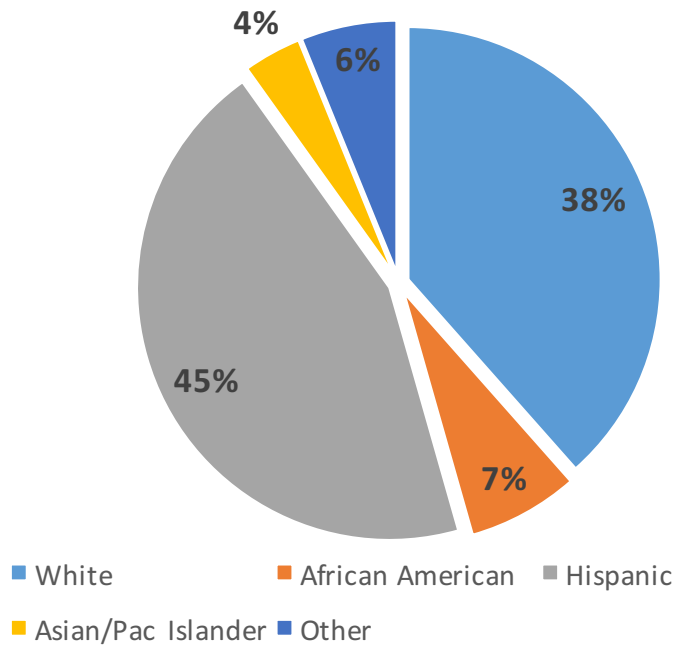
The Primary Providers of Dual Credit

- Enrollment in dual credit has steadily increased from **11,921** students in fall 1999 to **133,342** students in fall 2015.
- All 50 community college districts in Texas offer dual credit opportunities.
- **93 percent** of the dual credit students were enrolled in Texas community colleges in fall 2015 (123,893 of 133,342 students).
- In fall 2015, the average semester credit hours earned per dual credit student was 5.4 SCH; slightly less than 2 courses per student.

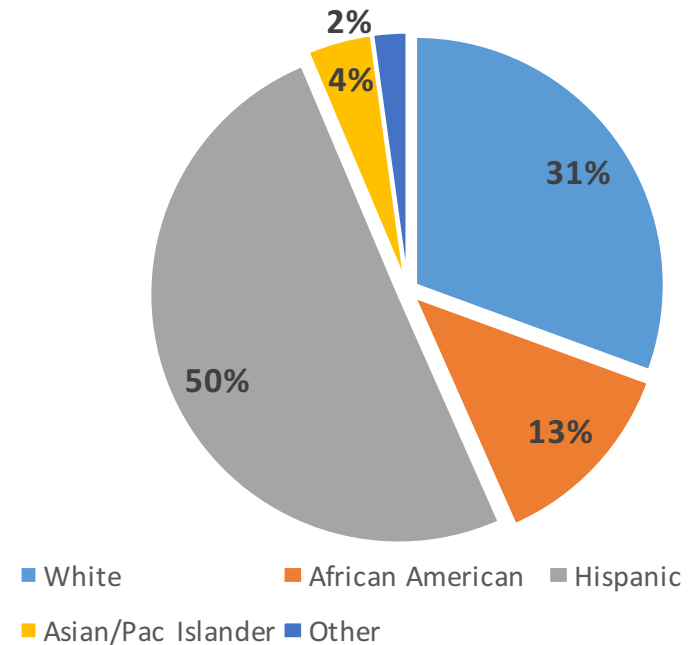


Students in Dual Credit Reflect the Diversity of Texas

Fall 2015 Dual Credit Enrollment



2015-16 Texas High School Population



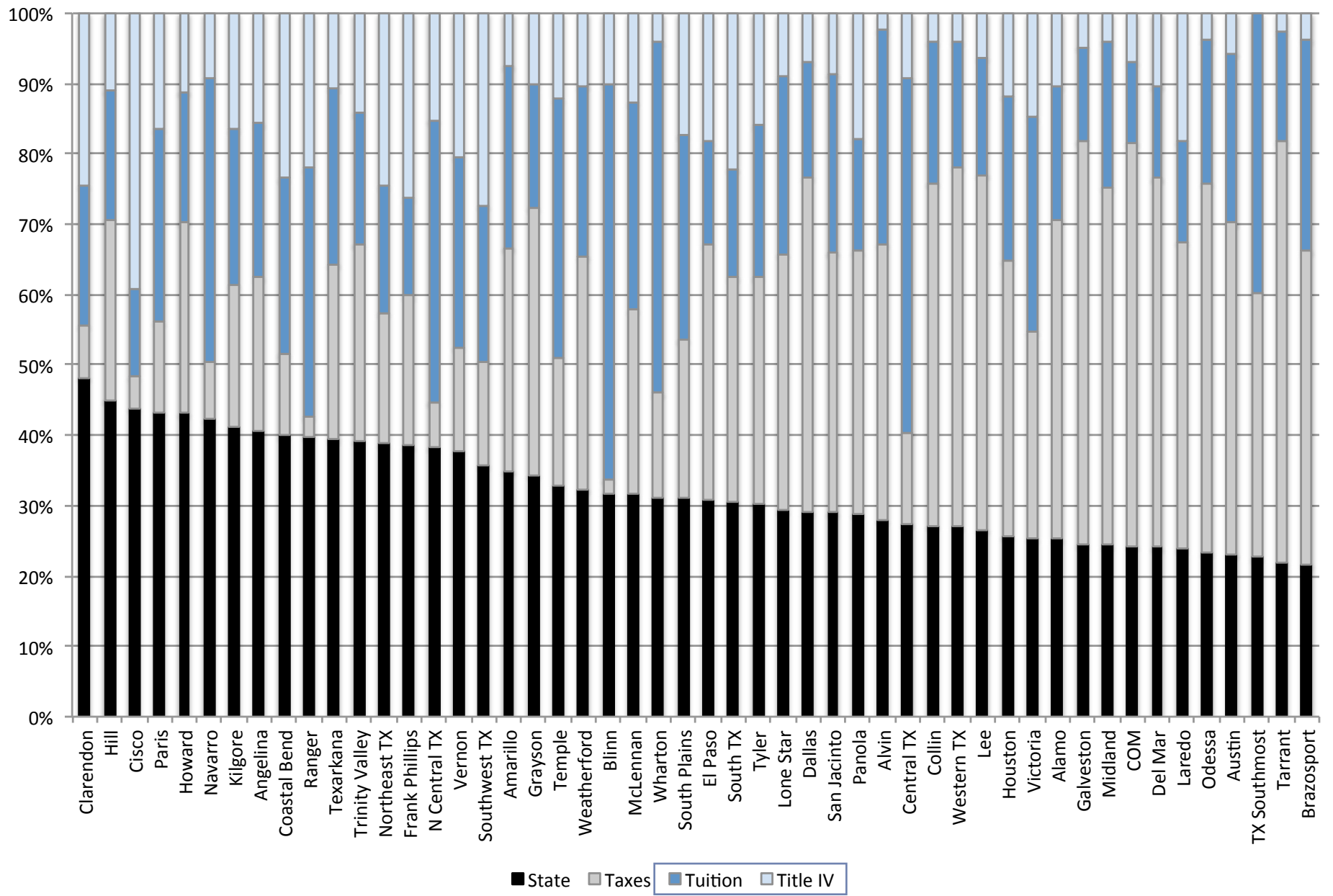
Three Primary Sources of Operational Revenue

Revenue Source	FY 2015 \$	% of Total
State Appropriation	1,101,470,617	28.4%
Property Taxes	1,499,829,213	38.7%
Tuition & Fees	1,275,185,172	32.9%
<i>Net Tuition & Fees</i>	<i>888,385,216</i>	<i>22.9%</i>
<i>Title IV Tuition & Fees</i>	<i>386,799,956</i>	<i>10.0%</i>
TOTAL	3,876,485,002	

Definitions for Three Primary Revenue Sources

- State Revenue - total state revenue (Instructional General Revenue, Group Health Insurance state appropriation, Retirement benefits state appropriation). Special Item Funds and Bachelor of Applied Technology Funds (less than 1% of total funds) are not included.
- Local Taxes - Maintenance and operation (M&O) tax revenue from Annual Financial Report. Debt service ad valorem tax revenue is not included.
- Total Tuition and Fees = Tuition and Fees + Federal Title IV Tuition and Fees
 - Tuition and Fees: Net tuition and fees from Annual Financial Report (AFR).
 - Federal Title IV Tuition and Fees: Title IV Higher Education Act Funds (mainly Pell Grants) are received by the college and passed through to the student. Total Title IV HEA Funds are recorded in each district's FY 2015 AFR Exhibit 2 as Federal Grants and Contracts - Non Operating Revenues. When a Title IV grant is used by the student for tuition and fees, it is recorded as a tuition discount in Schedule A of the FY 2015 AFR (Title IV Federal Grants). Title IV funds that were recorded as tuition and fees are included in the calculation of each district's total revenue. The Title IV funds that were passed through to the student are not included.

Three Primary Sources of Operational Revenue, FY 2015



Community College Taxing Districts

FY 2017 Valuation: \$1.57 trillion

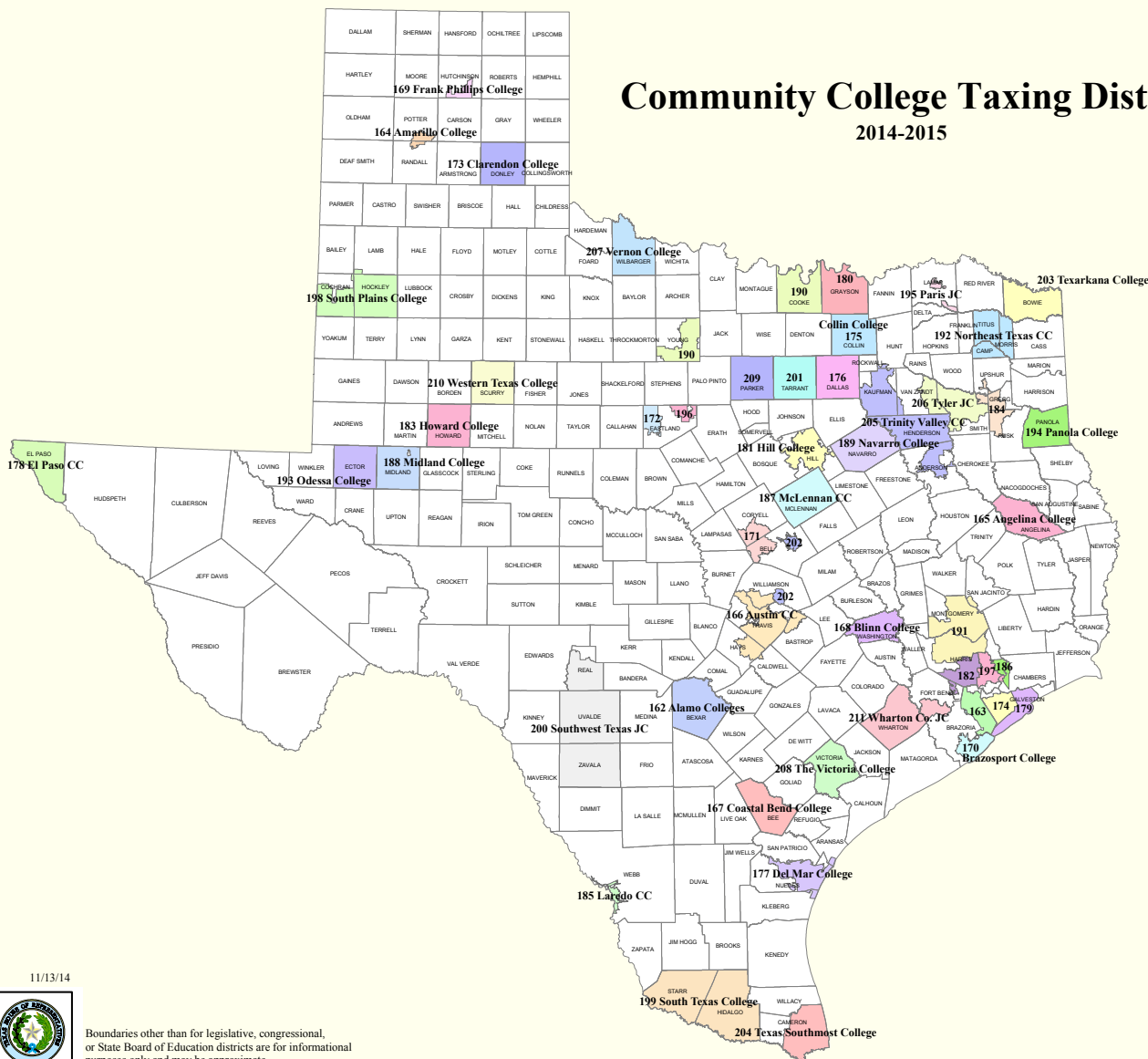
Estimated FY 2017 Levy: \$2.1 billion

FY 2017 Average M&O tax rate: 16.1 cents per \$100 valuation

Owner of \$150,000 home would pay \$243 per year to support the community college district

[TACC Tax & Valuation Survey Results](#)

Community College Taxing Districts 2014-2015



Community College Districts*

- 162-Alamo Colleges
- 163-Alvin Community College
- 164-Amarillo College
- 165-Angelina College
- 166-Austin Community College
- 167-Coastal Bend College
- 168-Blinn College
- 169-Frank Phillips College
- 170-Brazosport College
- 171-Central Texas College
- 172-Cisco College
- 173-Clarendon College
- 174-College of the Mainland
- 175-Collin College
- 176-Dallas County Community College
- 177-Del Mar College
- 178-El Paso Community College
- 179-Galveston College
- 180-Grayson College
- 181-Hill College
- 182-Houston Community College System
- 183-Howard College
- 184-Kilgore College
- 185-Laredo Community College
- 186-Lee College
- 187-McLennan Community College
- 188-Midland College
- 189-Navarro College
- 190-North Central Texas College
- 191-Lone Star College System
- 192-Northeast Texas Community College
- 193-Odessa College
- 194-Panola College
- 195-Paris Junior College
- 196-Ranger College
- 197-San Jacinto College
- 198-South Plains College
- 199-South Texas College
- 200-Southwest Texas Junior College
- 201-Tarrant County College
- 202-Temple College
- 203-Texarkana College
- 204-Texas Southmost College
- 205-Trinity Valley Community College
- 206-Tyler Junior College
- 207-Vernon College
- 208-The Victoria College
- 209-Weatherford College
- 210-Western Texas College
- 211-Wharton County Junior College

* Community college districts are numbered as identified by Chapter 130, Texas Education Code.

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Boundaries other than for legislative, congressional, or State Board of Education districts are for informational purposes only and may be approximate.

Source: County Appraisal Districts

Community College Funding - Local Property Taxes

Local Property Taxes. Each community college board is required by state law to levy annual ad valorem taxes for the maintenance of district facilities. A board may issue bonds for the construction of college buildings and to purchase land. The state caps the bond rate at \$.50 per \$100 valuation of taxable property in a district. The bond rate, if any, together with the annual maintenance tax rate cannot exceed \$1 per \$100 valuation of taxable district property (*Texas Education Code*, §130.122). Many districts have locally imposed caps on tax rates as well.

For FY 2017, the estimated statewide certified property valuation for FY 2014 is \$1.57 trillion (74% of the state's property wealth). The estimated statewide levy for FY 2017 is \$2.1 billion. The average Maintenance and Operation tax rate (M&O) is \$.161 and the average bond (debt) rate was \$.024 per \$100 valuation. Twelve of the fifty community college districts in the state had tax rates that were at or near their local cap during FY 2017.

Summary of Local Property Taxes: FY 2007 to FY 2017

	FY 07	FY 09	FY 11	FY 13	FY 15	FY 17
Valuation	906 billion	1.1 trillion	1.13 trillion	1.19 trillion	1.35 trillion	1.57 trillion
Tax Levy	1.1 billion	1.3 billion	1.4 billion	1.5 billion	1.8 billion	2.1 billion
Avg M&O Tax Rate	0.138	0.133	0.141	0.142	0.145	0.161
Avg Debt Rate*	0.012	0.016	0.018	0.020	0.023	0.024
Avg Total Tax Rate	0.150	0.149	0.159	0.162	0.168	0.185

*In FY 2017, 30 of the 50 college districts had a debt tax rate.

Tuition/Fees at Community Colleges

State Averages

In-District \$82 per Semester Credit Hour (SCH)

Out-of-District \$134 per SCH

A Student taking 12 semester credit hours in Fall 2016

In-District = \$987 tuition & fees

Out-of-District = \$1,612 tuition & fees

[TACC Tuition & Fee Survey Results](#)



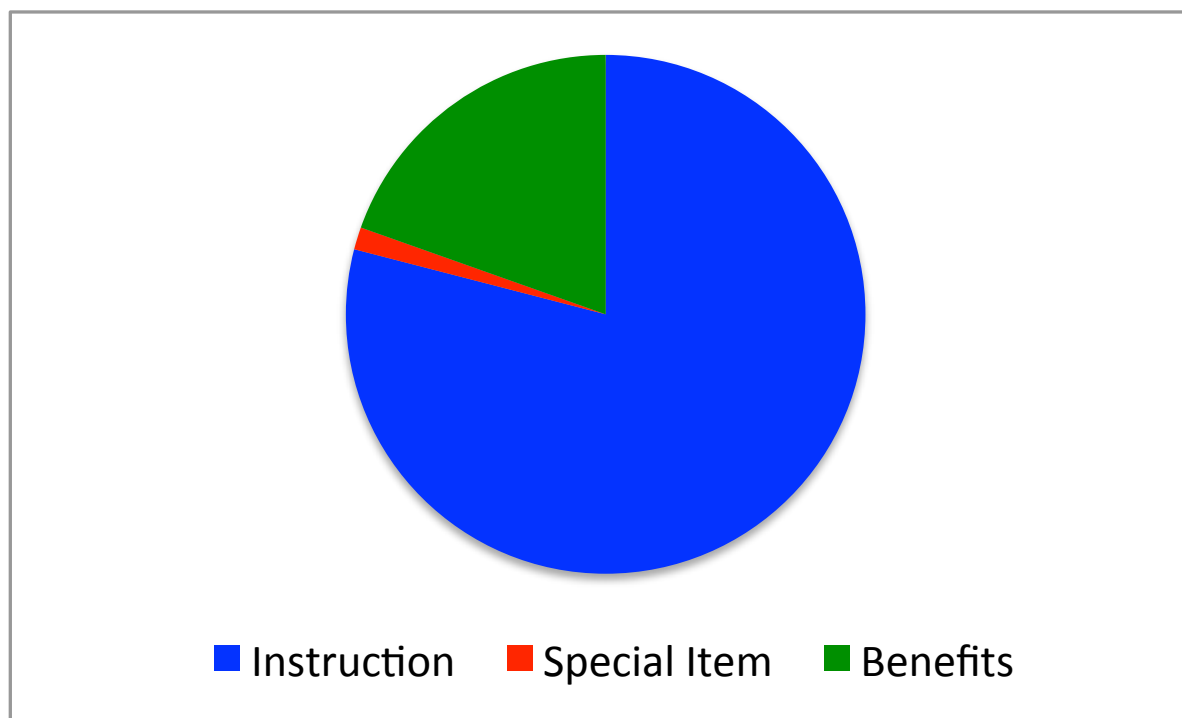
State General Revenue = \$1.78 billion

	2016-17	% of total
Instruction/Contact Hour	1,522,515,612	85.6%
Student Success Points	169,168,401	9.5%
Core Operations	50,000,000	2.8%
Sub-Total	1,741,684,013	
Special Item	30,788,631	1.7%
Hold Harmless	3,963,138	0.2%
Bachelor of Applied Technology (BAT)	2,142,624	0.1%
TOTAL	1,778,578,406	



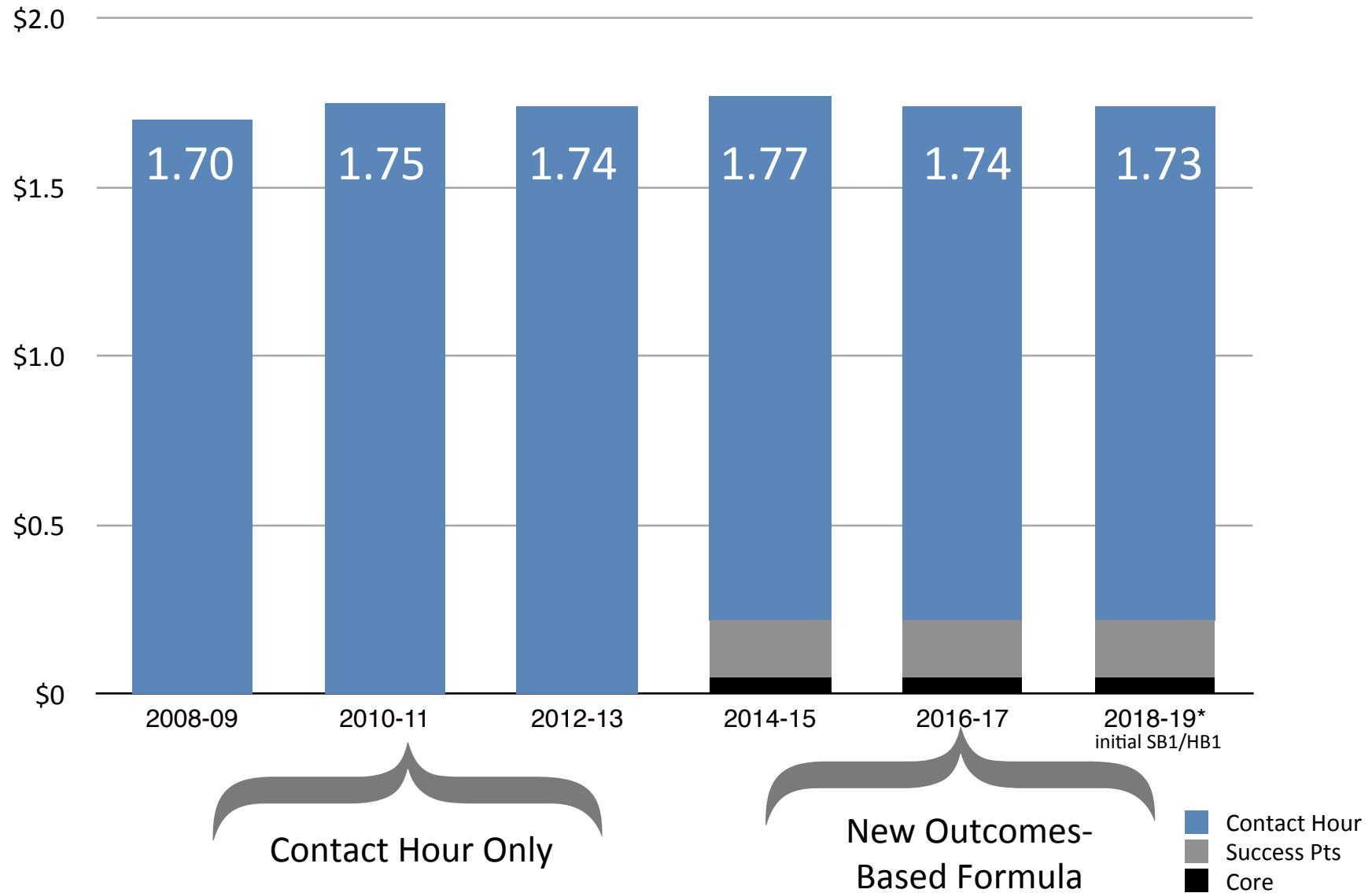
All State Support

	2016-17	% of total
Instruction/Contact Hour	1,522,515,612	68.8%
Student Success Points	169,168,401	7.6%
Core Operations	50,000,000	2.3%
	1,741,684,013	78.8%
Special Item	30,788,631	1.4%
Hold Harmless	3,963,138	0.2%
Bachelor of Applied Technology (BAT)	2,142,624	0.1%
Employee Benefits	432,783,996	19.6%
TOTAL	2,211,362,402	



Community College Funding in Last Decade

Instructional Appropriation: 2008-09 to 2016-17 (in billions)

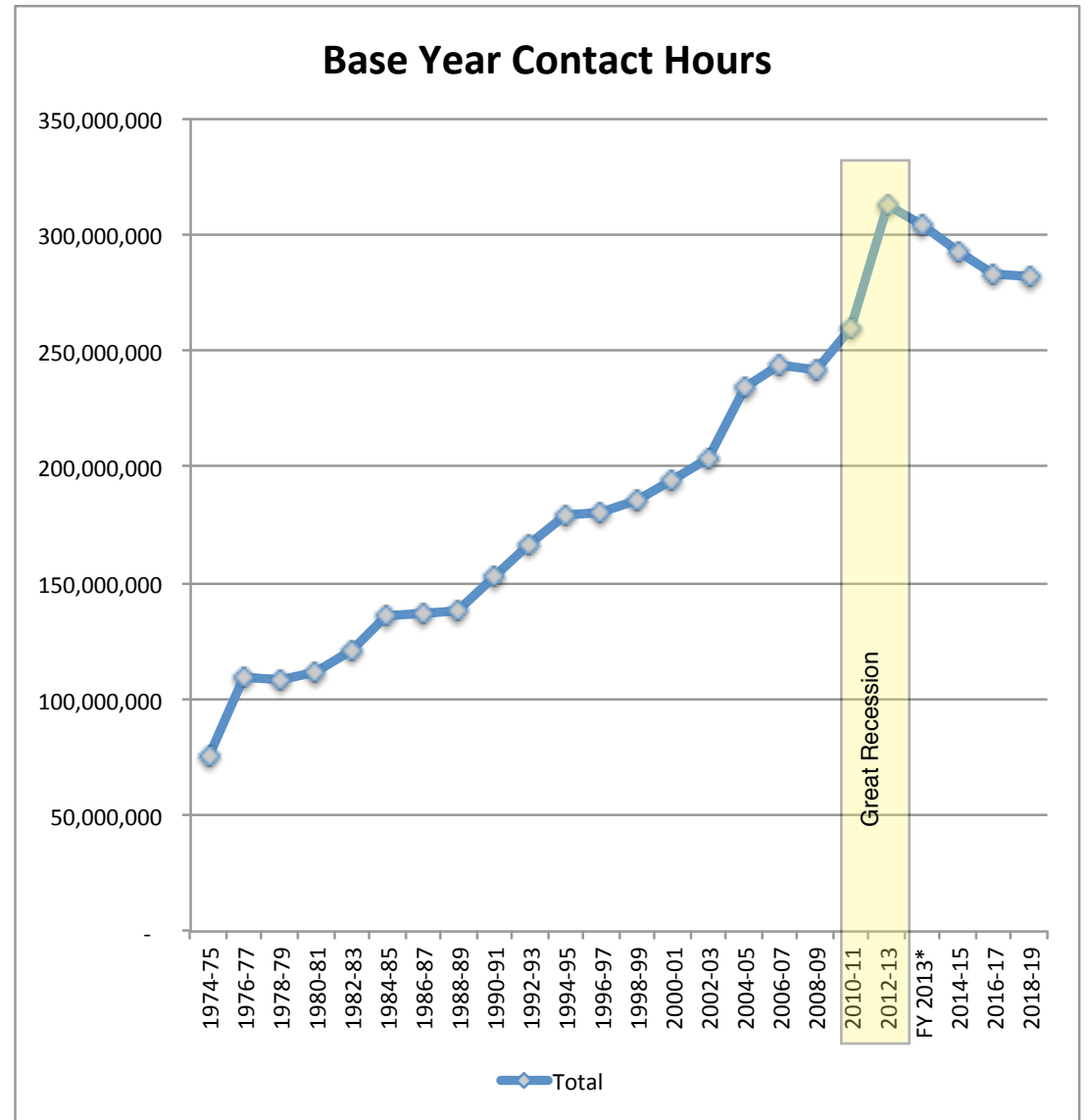


Base Year Contact Hours: Statewide 1974-75 to 2018-19

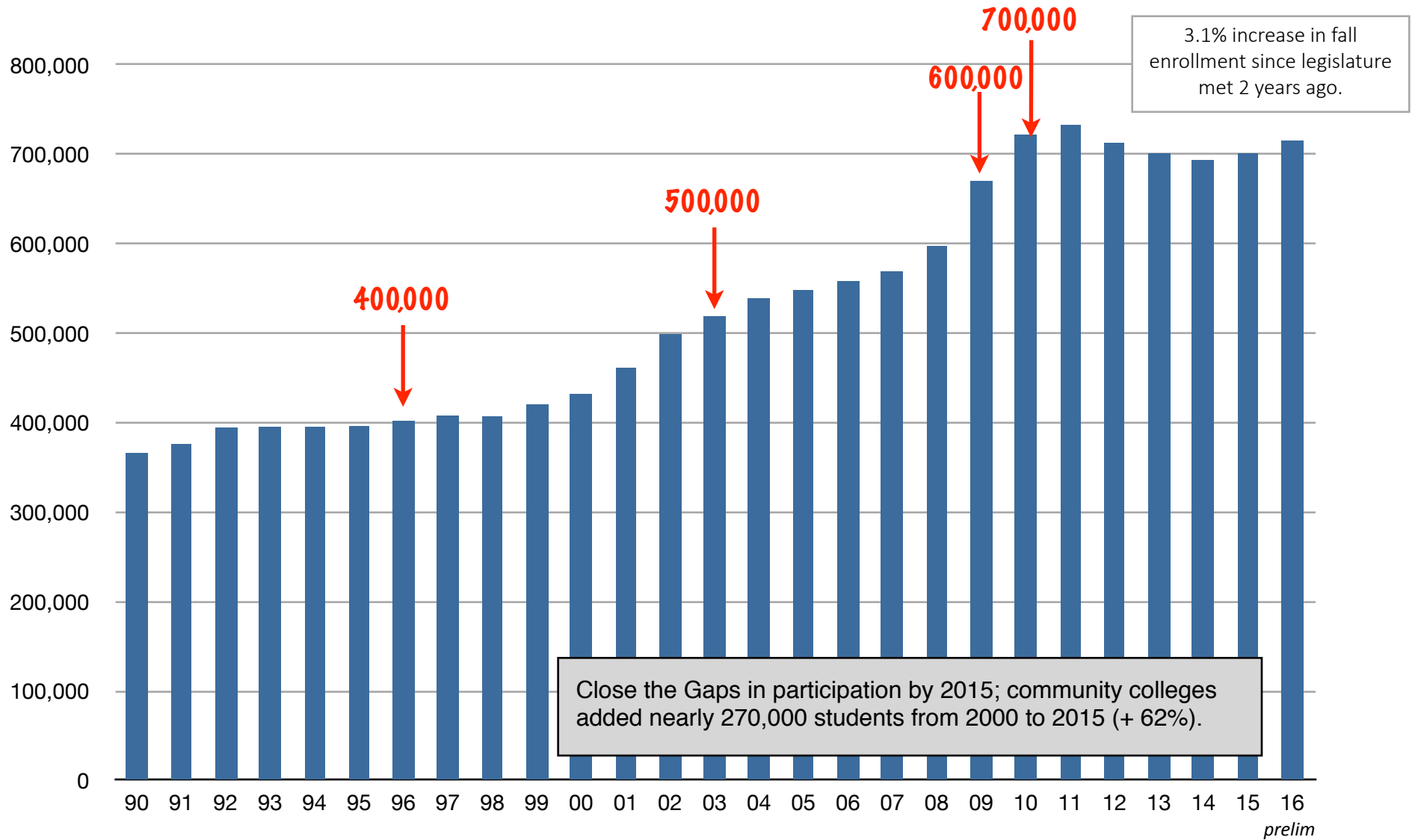
Biennium	Total	% change
1974-75	75,834,299	
1976-77	109,741,542	44.7%
1978-79	107,970,124	-1.6%
1980-81	111,080,043	2.9%
1982-83	121,244,390	9.2%
1984-85	135,838,094	12.0%
1986-87	137,293,461	1.1%
1988-89	137,691,994	0.3%
1990-91	152,624,914	10.8%
1992-93	166,575,227	9.1%
1994-95	179,449,167	7.7%
1996-97	180,714,187	0.7%
1998-99	185,643,998	2.7%
2000-01	193,608,536	4.3%
2002-03	203,528,018	5.1%
2004-05	233,829,584	14.9%
2006-07	244,044,489	4.4%
2008-09	241,839,512	-0.9%
2010-11	259,351,081	7.2%
2012-13	312,528,459	20.5%
FY 2013*	303,904,424	-2.8%
2014-15	292,410,192	-6.4%
2016-17	282,919,371	-3.2%
2018-19	281,826,764	-0.4%

*Mid-biennium Redistribution

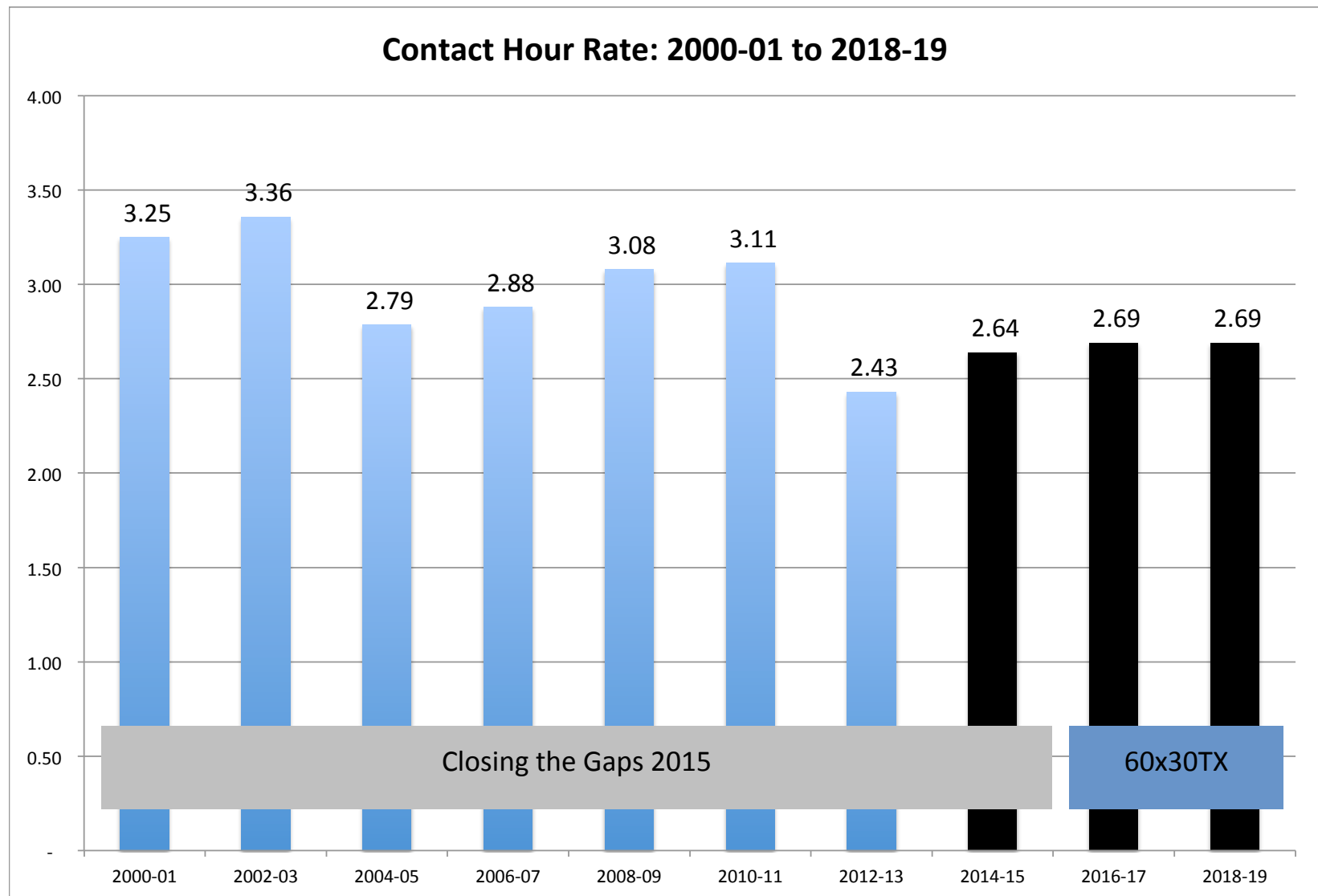
Source: THECB, Compiled by TACC Staff (Updated 1/22/17)



Fall Enrollment: 1990-2016



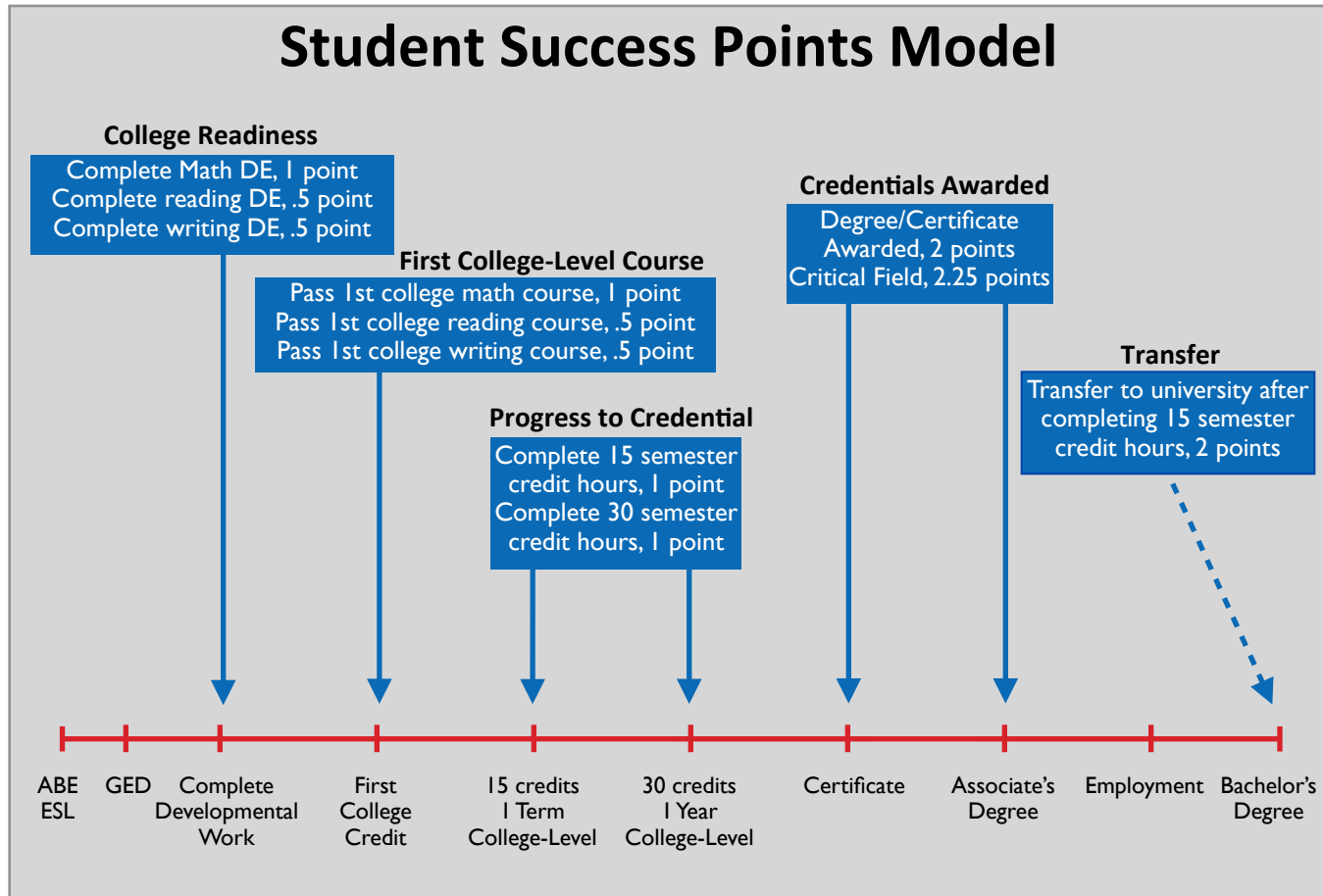
Source: Texas Higher Education Coordinating Board



Note: Contact Hour Rate for 2000-01 to 2012-13 assumes the current funding pattern: \$50 million for core, then 10% for student success points and 90% for contact hour funding.

Performance Based Funding for Texas Community Colleges

Student Success Points



In the 2016-17 appropriation, student success points were funded at \$172 per point.

In the 2014-15 appropriation, student success points were funded at \$185 per point.